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**FOREIGN ASSISTANCE LEGISLATION
FOR FISCAL YEAR 1994
(Part 6)**

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Foreign Assistance Legislation for...

HEARINGS
AND
**RECOMMENDATIONS FOR U.S. FOREIGN ASSISTANCE
TO ASIA AND THE PACIFIC**
BEFORE THE
SUBCOMMITTEE ON
ASIA AND PACIFIC AFFAIRS
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS

FIRST SESSION

APRIL 28 AND MAY 6, 1993

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RECOMMENDATIONS
OF THE
SUBCOMMITTEE ON ASIA AND THE PACIFIC
June 1, 1993

GARY L. ACKERMAN, M.C.
Chairman

JAMES A. LEACH, M.C.
Ranking Republican

OVERVIEW

The end of the Cold War and shifting power relationships in Asia and elsewhere around the globe present the United States with both fresh challenges and new opportunities in the Pacific Rim.

In East Asia the challenge is to reassure friends and allies that the new Administration's policy toward Asia will maintain important aspects of continuity and predictability. At the same time, an opportunity exists to strengthen linkages between the United States and the countries of the Pacific Rim by constructing durable and effective multilateral frameworks for cooperation on regional security issues as well as open, market-based economics.

The Subcommittee agrees with the assessment of the Assistant Secretary of State for East Asia and the Pacific that no region of the world is as important to the United States as East Asia and the Pacific. None will be more important in the next century. The Asia-Pacific region is the world's largest consumer market, America's biggest export market, and home to approximately \$65 billion in U.S. direct investment. Five of America's top ten overseas trading partners are Asian states. Last year U.S. exports totaled more than \$120 billion and generated 2.3 million American jobs. Last but not least, Asia is at the forefront of a global revolution in information and communication technologies, with important implications for U.S. competitiveness and American defense technologies.

In terms of continuity, the Subcommittee hopes the Administration will strongly support the open multilateral trading system symbolized by the imperiled Uruguay Round of the General Agreement on Tariffs and Trade. In terms of new shifts in emphasis, the Subcommittee welcomes the high-level support the Administration is extending to the nascent Asia Pacific Economic Cooperation (APEC) process, which holds the promise of effectively advancing U.S. interests in promoting market-oriented open

multilateralism in the Pacific Rim.

In this regard, the Subcommittee notes that no two countries have a greater stake in the continued viability of an open multilateral-based trading system than the U.S. and Japan. Together we represent nearly forty percent of the world's economy, yet neither country can long sustain robust economic growth without open global trade. The challenge for the U.S. is to promote macroeconomic and fiscal policies that are conducive to long-term productivity and growth; the challenge for Japan is to transcend the limitations of its consensus-based political system and move proactively to support the Uruguay Round while continuing to lift official and "invisible" barriers to foreign trade and investment.

In geostrategic terms, the end of the Cold War has not diminished the importance of the forward-deployed U.S. security presence in general, and the U.S.-Japan security alliance in particular, which remains a bedrock of regional stability. Nevertheless, it is in America's enduring interest to move beyond the status quo in our relationship with Japan. Hence the Subcommittee would support Administration efforts to encourage an expansion of Japan's role in international institutions, such as at the United Nations; in international peacekeeping operations like Cambodia, where two Japanese have been among the several U.N. employees killed in recent weeks; in the international financial institutions; and in supporting institutions which promote open multilateral trade.

Although there are perhaps fewer potential sources of Great Power conflict in East Asia than at any time since World War II, the U.S. continues to confront sources of regional instability: on the tense Korean peninsula, where North Korea has mounted an unprecedented challenge to the international nonproliferation regime; in Cambodia, where the U.N. peace process has been jeopardized by the political thuggery of the Phnom Penh regime and the insurgency of the murderous Khmer Rouge; in the South China Sea, where overlapping territorial claims could give rise to military conflict; and possibly across the Formosa Strait over the status of an increasingly democratic and prosperous Taiwan.

In this context, while the Subcommittee strongly supports the new Administration's reaffirmation of America's historic treaty alliances and military arrangements in East Asia, it also welcomes the statement by Assistant Secretary Winston Lord that the U.S. is open to the development of new mechanisms in the region to help manage or prevent other emerging security concerns. The Subcommittee welcomes increased security consultations in

the framework of the ASEAN Post Ministerial Conference, and looks forward to the development of confidence building and tension reduction efforts in Northeast Asia as well.

The Subcommittee observes that the U.S.-China relationship is heavily burdened by very serious U.S. concerns on nuclear and ballistic missile proliferation; trade, and human rights -- including coercive family planning practices and the transfer of ethnic Chinese into Tibet. Here the Subcommittee notes that the Congress has declared Tibet to be an occupied country.

While China's regional policies in recent years have generally been constructive, the Subcommittee is concerned about the long-term implications of ongoing Chinese military modernization and arms build-up for stability in East Asia. The Subcommittee does not believe that China poses an immediate threat to regional security or to U.S. interests in East Asia. On the other hand, the Subcommittee notes that Beijing's increase in naval and force-projection capabilities has fueled generalized apprehensions in the region about the emergence of a new "Chinese threat." While present trends suggest that a reformist, albeit more assertive, China will continue to move in the direction of increased economic interdependence and multilateral cooperation with the Pacific Rim, a more aggressive nationalist posture cannot be ruled out. The Subcommittee will continue to watch these developments carefully.

Due to China's occupation of Tibet, India and China now share a very long, disputed, and at most times, highly militarized border. Tibet served as a buffer zone between India and China for some 2,000 years. China's sales of M-11 missiles to Pakistan appear to be part of a strategic initiative to keep India off balance by forcing New Delhi's attention and resources to be focused on its neighbor to the west, as well as to the north.

It is noted, therefore, that China's occupation of Tibet, an area the size of western Europe and occupying one quarter of China's land mass, has had strategic consequences for South Asia. Accordingly, many Members of Congress believe restoring Tibet to its original status as an independent nation is an important factor in achieving peace and stability on the Subcontinent.

Nonetheless, despite bilateral strains, the Subcommittee underscores its belief that few developments could cause greater instability in Asia than a breakdown of relations between the United States and China.

Within the last 40 years,

Taiwan has become an economic powerhouse and, along with Singapore, Hong Kong, and South Korea, is leading the world in economic growth. Taiwan's per capita income has increased over 200 times, from \$48 in 1952 to \$10,000 in 1992. Such impressive economic development has not only increased the standard of living on the island, but also the levels of expectation, which, in turn, have contributed to gradual social change and political liberalization. In this context, the Subcommittee is especially pleased to note that the December 1992 elections for a new Legislative Yuan were not only the freest in Taiwan's history, but the freest ever undertaken by a Chinese society.

Taiwan's trade with the PRC, conducted largely through Hong Kong, grew to approximately \$5.8 billion in 1991. Total Taiwan investment in China -- mainly in Fujian province directly across the Taiwan Straits and in other coastal areas of China -- amounts to over \$3 billion, making Taiwan the second largest investor in China next to Hong Kong.

In 1987, under pressure from the United States, Taiwan pursued economic liberalization by reducing tariffs and quotas, focusing on capital intensive industries, easing financial restrictions, creating new laws for intellectual property rights, and facilitating entry of foreign firms into the ROC services market.

Since Taiwan has become our sixth largest trading partner, and may surpass Great Britain next year, it is in the United States' interest to encourage further economic development and political stability. For the U.S., this will result in better trade relations, more business incentives for the private sector and, politically, the goal of democratization. The Subcommittee strongly urges Taiwan to grant U.S. businesses in Taiwan equal market access to that currently enjoyed by Taiwanese companies in the United States.

Hong Kong's status as a British colony will change under the terms of the Sino-British "Joint Declaration" of 1984 and the Basic Law of 1990. On July 1, 1997, the People's Republic of China (PRC) will resume sovereignty over the territory, which will become the Hong Kong Special Administrative Region (SAR). In the Joint Declaration, China promised that Hong Kong will enjoy a "high degree of autonomy" after 1997 and keep its capitalist system for fifty years.

Since the agreement was signed, Hong Kong has undergone political and economic transformation as it grapples with the implications of impending Chinese sovereignty. These new trends have begun to influence

U.S. policy toward both Hong Kong and China, and are likely to increasingly challenge U.S. policy makers in coming years.

The proposals which Governor Patten introduced in October 1992 were designed to extend democracy in Hong Kong within the Basic Law. The Patten proposals were immediately rejected by China. The United States has reiterated that it strongly supports democracy in Hong Kong, as it does throughout the world. Subcommittee Members believe the governor's proposals are constructive and hope they will receive careful attention and discussion by all concerned parties. The Subcommittee furthermore believes that reform of the Hong Kong government is a matter that must be worked out by the British and Chinese governments, in accordance with the Joint Declaration and in keeping with the wishes of the people of Hong Kong.

The U.S. has a strong stake in Hong Kong, reflected in five decades of contact. U.S. investments now total \$9 billion and tens of thousands of Hong Kong Chinese are U.S. citizens.

With respect to Vietnam, the Subcommittee reiterates long-standing U.S. policy that normalization of relations is dependent upon the fullest possible accounting of those Americans missing in action and Hanoi's continued cooperation on implementation of the Paris Peace Accords on Cambodia.

The Subcommittee remains concerned about Vietnam's respect for human rights generally, and its treatment of Christians and Buddhists in particular. Members believe it would be an important act of good faith to release the Most Venerable Thich Huyen Quang, Patriarch of the United Vietnamese Buddhist Congregation.

The Subcommittee recognizes that overall U.S. assistance to East Asia and the Pacific has been reduced substantially, and some former aid recipients such as Japan and Korea now present competitive challenges to us.

Over the last five years, U.S. foreign assistance to East Asia has been reduced from about \$680 million in FY 1988 to approximately \$268 million in FY 1993. These figures include Economic Support Funds (ESF), Foreign Military Financing (FMF), International Military Education and Training (IMET), and Development Assistance (DA). During this five year period, the region's share of the ESF, FMF, and IMET budget fell by more than fifty percent, from approximately 3.7% of our world-wide program, to about 1.7%. The DA budget was also cut in half, from approximately 15% to 7% of the global total.

In South Asia, the Subcommittee believes that U.S. interests in promoting nonproliferation and regional stability, economic reform, democratic values, human rights, voluntary population planning, and the humane treatment of refugees, and in combating the scourge of drugs warrant placing South Asia higher on the American foreign policy agenda.

Since 1990, democracy has been restored in Bangladesh and established in Nepal. India remains the world's largest democracy. While Pakistan has twice held national elections in the past five years, its political system has been thrown into turmoil by constitutional and political conflicts between the president and the prime minister. Notably, however, the armed forces have evinced no desire to intervene in the political struggle. In Sri Lanka, that country's multiparty democracy has recently been shaken by the twin assassinations of President Premadasa and a leading opposition politician. The Subcommittee has every hope and expectation that constitutional norms will be followed and that Sri Lanka will continue to hew to the democratic path. Meanwhile, civil war continues in Afghanistan, with no speedy resolution to the bloodshed in sight.

Subcommittee Members are convinced that if the Subcontinent remains committed to free market reforms, America's economic interests could grow exponentially. In Delhi, the recent budget announced by the Government of India extends a far reaching program of economic reform that has the potential to radically transform the South Asian economic landscape. India could well be a more important economic player by the turn of the century than the former Soviet Union and Eastern Europe. Pakistan and Sri Lanka have also been engaged in an impressive process of economic liberalization. In general, economic opportunities for American business in South Asia appear brighter than ever before.

More troublesome are the persistent and credible allegations of serious violations of fundamental human rights throughout the region, particularly in the disputed territory of Kashmir. The Subcommittee intends to deal forthrightly, but fairly and with appropriate sensitivity, with these serious regional concerns.

The Subcommittee is most worried about the proliferation of weapons of mass destruction and their means of delivery in the context of ongoing Indo-Pakistani regional tensions. The Subcommittee concurs with the Administration view that the primary regional interest of the United States in South Asia is war prevention, which in the case of India and Pakistan could escalate to the nuclear level. As the Director of Central Intelligence

recently testified, "[T]he arms race between India and Pakistan poses, perhaps, the most probable prospect for future use of weapons of mass destruction, including nuclear weapons."

In this latter regard, the Subcommittee highly commends the State Department's May 1993 Report to Congress on Progress Toward Regional Non-Proliferation in South Asia, and invites interested parties to read the report, which is included as an addendum to this document. So far as the Subcommittee is aware, it is the most comprehensive examination of this problem ever undertaken by any U.S. Administration.

More generally, the Subcommittee supports the Administration's strong commitment to democratic development and respect for human rights in all of Asia and the Pacific, as part of our foreign aid program. The very modest IMET program for the region is designed to expose foreign military and civilian government leaders to U.S. democratic values, respect for human rights, belief in the rule of law, and the principle of civilian control of the military. Thousands of persons from the Asia and Pacific region have attended U.S. schools under the IMET program during the last five years.

The Subcommittee is mindful of the anti-foreign aid sentiment felt by some Members of Congress. Nevertheless, it is the view of this Subcommittee that the carefully targeted assistance to this region is absolutely essential. We concur with the Administration's contention that Asia's economic dynamism is not uniform throughout the region, and that our modest assistance program is targeted to those nations where it does the most good. The Subcommittee's objectives of protecting American interests, promoting democratic ideals, and ameliorating the lives of the poorest of the poor are indeed represented in the relatively small assistance package our nation provides to the Asia and Pacific region.

INTERNATIONAL DEVELOPMENT

From a development perspective, Asia is a region of vast contrasts and compelling challenges. Over half the world's poor live in Asian countries assisted by the U.S. Agency for International Development (AID). Simultaneously, Asia has some of the world's most rapidly growing economies. AID's programs are influenced by these two factors. Although markets are expanding, per capita income is rising, and economic liberalization is taking place in many parts of Asia, high levels of illiteracy and disease continue to fester in many nations of the region.

AIDS IN ASIA

The international AIDS crisis could well reach epidemic proportions in Asia during the 1990s. According to the World Health Organization, there is concern that the pandemic in South and South-East Asia may be growing at a pace reminiscent of sub-Saharan Africa in the early 1980s, but may have an even greater potential for spread, given the adult population of nearly 500 million as compared with 225 million in sub-Saharan Africa. If such is the case, AIDS will have enormous socioeconomic repercussions for the region.

According to WHO, in Southeast Asia HIV transmission was initially predominant among injecting drug users, with HIV prevalence rates in some groups of about 50% in Bangkok, Thailand, and 30% in Rangoon, Burma. Prevalence rates of at least 10% have also been noted in neighboring states, such as Yunnan province in the People's Republic of China. However, heterosexual transmission has been increasingly rapidly, and since 1989 this appears to be the chief mode of transmission of HIV. Thailand is the most AIDS-prone country in the region, with estimates ranging as high as 400,000 in a population of 57 million.

In South Asia, the predominant mode of transmission is again heterosexual. In India, for example, there are estimates of about 250,000 HIV infected persons. According to the Department of State, conditions in India point to a potential rapid spread of the disease.

The Subcommittee believes the United States should strongly encourage the Asian nations to publicly acknowledge the extent of the epidemic in each nation and dramatically increase AIDS education and prevention programs.

The Subcommittee requests the President to report to Congress the status of the AIDS epidemic in Asia and the

Pacific annually. This report should include information about progress made toward prevention and treatment of AIDS in the region, and the role played by United States foreign assistance to help achieve that objective.

THE ENVIRONMENT

The Subcommittee acknowledges the importance of environmental concerns in the Asia and Pacific region. As AID noted in its Congressional Presentation Document for the last fiscal year, environmental issues in Asia bear a strong relation both to the sustainability of regional development and to transnational problems, including global warming and biodiversity. In addition, American business has a clear technological advantage that it can offer to Asian countries through AID's programs in the region. Hence the Subcommittee supports the U.S.-Asia Environmental Partnership (US-AEP) launched in January 1992, as an effective vehicle through which to coordinate private sector and public efforts to combat environmental degradation in the region. We also strongly encourage the President to ensure that all countries receiving U.S. foreign assistance are striving to improve environmental conditions. The Subcommittee encourages the President to report to Congress on an annual basis on progress made toward environmental improvement resulting from United States foreign assistance.

RADIO FREE ASIA

The Subcommittee believes Radio Free Asia should be part of a multifaceted policy to increase the flow of independent news and information into China, Vietnam, North Korea, Burma, and Laos.

The Subcommittee believes that Radio Free Asia should be a broadcasting service concentrating on news and information about events in the countries to which it is broadcasting.

The Subcommittee endorses Secretary of State Christopher's testimony during his confirmation hearings in January: "Democracy cannot be imposed from the top down but must be built from the bottom up." We support the creation of Radio Free Asia "to ensure that the people of all Asian nations will have access to uncensored information about their societies and about the world."

JAPAN

The Subcommittee strongly believes that the United States - Japan security alliance is and should remain the bedrock of stability in the Pacific. While U.S.-Japan economic relations continue to be a source of concern in Washington and Tokyo, it is essential that both societies pursue a collaborative relationship that befits the two largest economies in the world. Our common strategic interests, economic interdependency, and shared democratic values will continue to constitute ties that bind. We remain concerned that United States national security interests in the Asia-Pacific region and worldwide would be endangered by a serious rift between the United States and Japan.

The Subcommittee supports the current forward-deployed U.S. military presence in Japan, and suggests that extensive consultation with appropriate congressional committees occur, should the Administration decide to down-size U.S. forces in Japan. The Subcommittee recognizes that in January 1991 Japan and the United States signed a new Host Nation Agreement. This new burdensharing agreement is a five-year continuation and planning estimate of expenditure needed to support U.S. forces in Japan. In 1991, this agreement provided a 15.5% increase (about \$3.9 billion total in host nation support) from the previous year's host nation support. This new agreement stipulates that by 1995 Japan will bear 100% of both labor costs and utilities expenses. From 1991-1995, the new agreement will save the U.S. an estimated \$1.7 billion. By 1995, Japan will pay for 54% of the total costs of U.S. forces in Japan. If the costs of personnel salaries are not included, Japan by 1995 will be paying 75% of the assessment for U.S. military stationed in Japan.

Turning to the economic side of the relationship, the Subcommittee believes that no single step could be a greater spur to world growth than successful completion of the Uruguay Round. As Japan is a key G-7 member and one of the major beneficiaries of the free trade system, second perhaps only to the United States, it is regrettable that Japan is apparently unable, at this time, to join with the U.S. and others in bringing the Round to an early conclusion by announcing its intention to liberalize its rice market and help resolve the GATT impasse over agriculture. In general, the Subcommittee would encourage Japan to adopt additional expansionary fiscal policies, further liberalize its markets, and demonstrate strong leadership to support the open multilateral trading system.

The Subcommittee points out that negotiations with Japan on market access, the Structural Impediments Initiative (SII), and macroeconomic conditions, such as exchange rates, have resulted in expanded U.S. exports to Japan in recent years. Japan is the second largest market for U.S. exports (\$48 billion in 1991).

Nonetheless, last year Japan's trade surplus with the U.S. rose to about \$49 billion, up from \$43 billion, and reversing several years of heartening decline. In addition, Japan's current account surplus of about \$125 billion puts strain on the open global trading system. With its huge trade surplus and weak domestic demand, Japan could both facilitate its recovery and contribute to world growth by stimulating its domestic economy. In this regard, the Subcommittee recognizes the significance of Japan's \$116 billion stimulus package. It is an excellent first step toward domestic demand-led growth. Yet a long-term Japanese strategy is needed to maintain world economic growth and reduce its bilateral trade imbalances.

During President Clinton's meeting with Prime Minister Miyazawa, the President called upon Japan to open its markets, and indicated the U.S. would be looking for measurable progress in market access. The President and Prime Minister also agreed to develop, within the next three months, a plan for addressing both structural and sectoral trade issues and for furthering cooperation on global issues such as technology and the environment.

President Clinton also pledged that the United States would do its part by improving U.S. economic competitiveness. The State Department and our embassies and missions overseas will actively support U.S. firms in their efforts to access foreign markets.

The Subcommittee recognizes that the continued territorial dispute over the "Northern Territories" in the Kurile islands between Japan and Russia has prevented the two countries from fully normalizing relations. This outstanding diplomatic problem makes bilateral Japanese assistance to Russia a sensitive domestic political issue. While the Subcommittee continues to support Japan's position on the Northern Territories, it also appreciates the important Japanese effort to support political and economic reform in Russia. As part of the overall G-7 effort, Japan has announced a new aid package totalling about \$1.82 billion, including both grant aid and loans. This bilateral initiative is closely linked with the multilateral approach agreed upon at the April G-7 Joint Ministerial Meeting.

In this context, the Subcommittee would encourage U.S. support for a greater Japanese role in existing

international institutions. For example, while the U.S. supports Japan's inclusion as a Permanent Member of the U.N. Security Council, Washington should begin treating Tokyo as if it were such in its deliberations in New York. Likewise, Washington should encourage Japan to play a larger role in the G-7 and international financial institutions such as the OECD, the IMF and World Bank. Likewise, the U.S. should be sympathetic to and if possible support Tokyo's creative ideas to deal with global environmental and economic development problems. These will be among the issues dealt with at the forthcoming G-7 Summit, hosted by Japan. The Subcommittee urges the Administration to work closely with the Japanese on these matters.

The Subcommittee also recognizes and appreciates Japan's past contributions to help defray the costs of the Persian Gulf War, as well as Japan's ongoing contribution -- in blood and treasure -- to the United Nations Transitional Authority in Cambodia (UNTAC). We note with deep regret the tragic killing of two Japanese nationals in Cambodia.

The Subcommittee believes that the U.S.-Japanese relationship is too important to compromise with simplistic solutions. Bilaterally, we must put our own house in order while working with Japan to reduce our trade deficit. Multilaterally, we must encourage Japan to take more responsibility for global economic well-being. As Secretary Lord observed in his confirmation hearing, in this way we can forge a more equitable, positive partnership. "America will listen more, lecture less. In turn, Japan should step forward, not in response to American entreaties or pressure, but in a spirit of enlightened self-interest and mutual benefit."

KOREA

Stability in Northeast Asia has been imperiled by North Korea's recently announced withdrawal from the Nuclear Non-Proliferation Treaty (NPT) and its unprecedented challenge to the international nonproliferation regime. The Subcommittee believes that Pyongyang's action adversely affects the interests of the international community as a whole, and strongly urges North Korea to reverse its extremely unfortunate decision.

The United States must remain unequivocally committed to the security of the Republic of Korea (ROK). In this regard, in addition to taking immediate steps to fully comply with its obligations under the NPT and the International Atomic Energy Agency (IAEA) safeguards agreement, Pyongyang should also fulfill its responsibilities under the 1991 Joint Declaration on the Denuclearization of the Korean Peninsula. Permitting IAEA and bilateral inspections would help dispel international, U.S., and ROK concerns that Pyongyang is attempting to hide facilities that may contain evidence indicating a violation of its NPT commitments. Members join with the administration in strongly believing that there must be credible and effective international and bilateral inspection regimes.

Here the Subcommittee would point out that the U.S. security guarantee to the ROK does not represent a "nuclear threat" against North Korea. In addition, in September 1991, the U.S. announced the withdrawal of all tactical nuclear weapons from overseas bases.

The Subcommittee recommends that the Administration continue to work closely with Japan and South Korea in order to present a common front on issues affecting security on the Korean peninsula. North Korea's obligation to the IAEA is not a bilateral issue between the United States and North Korea, nor between North and South Korea. It is an issue between the international community and North Korea.

The Security Council President's April 8 statement supportive of the IAEA's position and the importance of the NPT was a constructive first step. This was followed by passage of a United Nations Security Council resolution regretting North Korea's actions and calling on Pyongyang to reverse its decision on the NPT and cooperate fully with the IAEA. The resolution also calls on the relevant parties to make diplomatic efforts to try to resolve these issues.

The Subcommittee endorses the discussions among the United States and our regional allies, Japan and the Republic of Korea, all of whom agree that the door ought to remain open for improved relations if North Korea fully removes international suspicions about its nuclear program.

The Subcommittee welcomes the Administration's offer to meet with North Korean officials to help resolve the current impasse.

Nevertheless, the Subcommittee believes that U.S. forces in South Korea should remain at their present levels until North Korea meets its obligations under the NPT and substantial progress is made on peacefully resolving outstanding issues between North and South Korea.

The Subcommittee supports U.S.- R.O.K. joint military exercises. As North Korea well knows, Team Spirit is a purely defensive, conventional exercise conducted on an East-West, rather than North-South axis. Nevertheless, the Subcommittee is prepared to consider with an open mind whether the training and readiness functions of Team Spirit could be accomplished with a lower profile.

Members strongly applaud the impressive ongoing process of democratization in South Korea. The election of former opposition candidate Kim Young Sam as President signals an historic transition from military to civilian authority and is an important watershed in the political development of the Republic of Korea.

In terms of bilateral economic relations, the Subcommittee appreciates the near parity achieved on the bilateral trade balance, but remains concerned about the lack of protection for intellectual property rights and the occasionally capricious manner in which the government of Korea responds to the concerns of some United States companies exporting to that nation.

The Subcommittee endorses increasing the size of the consular section of our embassy in Seoul by two full-time staff. The increased visa processing capability would greatly improve the State of Hawaii's economic recovery following last year's hurricane, as many Koreans travel to Hawaii for vacation.

MONGOLIA

In July 1990, Mongolia's first multi-party elections were held, making Mongolia the first Asian Communist country to break away from the former Soviet Union and throw off communism. The elections resulted in a coalition government that was to lead the country in its transition from a centrally planned authoritarian system to a representative democratic government implementing market economy principles.

In January 1992, the Parliament adopted a new Constitution establishing a parliamentary democracy, and recognizing for the first time in Mongolia's history human rights and freedoms, and the right to own private property including land. In April 1992, an election law was passed providing for universal, free, and secret elections. The parliamentary elections held on June 28, 1992, took place amid an economic crisis that threatened Mongolia's political and social stability.

In 1991, the economy contracted about 15 percent and the living standards of the population plummeted. By mid 1992, there were acute shortages of foodstuffs, medical supplies, basic consumer goods, essential industrial equipment and a serious energy crisis. The economic crisis and the political inexperience of opposition parties contributed to the victory of the ex-communist Mongolians People's Revolutionary Party at the parliamentary elections held on June 28, 1992. The newly elected parliament appointed a Cabinet which pledged to continue the economic and political reform in the country. Elections for a new President are scheduled for June 1993.

In fiscal year 1993, Mongolia was allocated a total of \$10.275 million in foreign assistance. That amount included \$8 million in ESF, \$2.2 million in DA, and \$75,000 in IMET. Mongolia also received \$17 million in food and commodity assistance including 5000 metric tons of butter, 2000 metric tons of butter oil, and 25,000 metric tons of feed wheat.

For fiscal year 1994, the Administration is requesting a total of \$8.675 million in foreign assistance for Mongolia. That amount includes \$3 million in ESF, \$3.6 million in DA, and \$75,000 in IMET. In addition, the Administration will consider further food assistance in light of the needs of Mongolia and the availability of U.S. commodities.

The Subcommittee supports the Administration's FY 1994 aid request for Mongolia noting that is less than that allocated for FY 1993 and again recognizing the growing

competition for diminishing U.S. foreign assistance. In this regard, to provide the Administration additional flexibility, the subcommittee recommends that the FREEDOM Support Act (P.L. 102-511) be amended to include Mongolia as among those market-oriented democracies to emerge from the collapse of the Soviet Bloc as eligible for assistance.

Members would observe that U.S. aid to Mongolia is based on U.S. support for emerging democratic and market-oriented nations around the world. Since 1990, Mongolia's government and its people have proven their commitment to democracy and a market economy. Despite the difficult transition, the government continues along the path of reform.

The Subcommittee also notes that a successful transition to democracy and a market economy in Mongolia will provide a positive example, not only for Russia and China, two neighbors engaged in their own processes of reform, but for other countries struggling to overcome decades of political subjugation and economic mismanagement.

BURMA

The Subcommittee feels a deep sympathy for the people of Burma, whose recent history has been one of turmoil, trauma, and tragedy. In the four-and-a-half years since the ruling authorities in Rangoon brutally suppressed the pro-democracy movement, the Burmese people have known little but political repression, economic deprivation, and a callous disregard for their most basic freedoms.

Today martial law remains in effect. Human rights are routinely violated. Several thousand Burmese have been killed by the security forces, and a similar number have been imprisoned. Nobel laureate Aung San Suu Kyi, the most prominent figure in the pro-democracy movement, languishes under house arrest. Three years after the 1990 national elections, the victors have still not been allowed to assume the positions to which they were elected. Hundreds of thousands of Burmese have been driven into exile.

The past year has witnessed tantalizing hints of change, including the release of some political prisoners, a new openness to Western journalists and other visitors, a greater receptivity to foreign businesses, and the convening of a national convention, ostensibly to begin the process of drafting a new constitution. Subcommittee Members welcome these changes and hope that they represent something more than merely cosmetic actions designed to mask the reality of continued repression by the State Law and Order Restoration Council (SLORC), as the ruling regime is known.

In addition to its intense concern about democracy and human rights in Burma, the Subcommittee is especially interested in Burma's status as the world's largest producer of opium and heroin. Subcommittee Members are aware of the SLORC's public declarations about the need to combat narcotics trafficking, but remain alarmed by persistent and credible reports linking senior military officers to the drug traffickers. Until and unless the regime demonstrates both the will and some capacity to challenge the traffickers, the Subcommittee will remain very skeptical about calls to substantially upgrade our own counter-narcotics activities in Burma. Members would be most reluctant to take steps under a counter-narcotics rubric that could entail considerable costs in terms of our support for democracy and human rights in Burma, unless they were convinced that these actions offered a real possibility of significantly reducing the amount of heroin reaching American shores.

The Subcommittee believes that it is time to elevate Burma on the U.S. diplomatic agenda. For starters, Members call upon the Administration to send an ambassador to Rangoon, where no U.S. ambassador has resided since 1990. In order to make it clear that the naming of a new U.S. envoy does not imply a slackening of America's commitment to the struggle for democracy in Burma, the Subcommittee believes that the designated ambassador should be an individual with a strong human rights record and extensive experience in working with opposition democracy movements. In addition, the Members believe that the nomination of a new ambassador should be accompanied by a forceful statement by the President indicating that this step is being taken in order to make our voice heard on democracy and human rights issues.

The Subcommittee wishes to point out that the dispatch of an ambassador to Rangoon would in no way signal approval of the current regime, or lend it any legitimacy. After all, the United States routinely sends ambassadors to countries whose policies we find abhorrent.

The Subcommittee has considered suggestions that the dispatch of an ambassador to Rangoon should be coupled with the withdrawal of U.S. military attaches from Burma, but cannot endorse such a proposal. In a country where the military plays a preeminent role, it seems to make little sense to reduce our ability to gain information about, and perhaps even to have a slight influence on, this sector of Burmese society.

While the Subcommittee endorses a decision to elevate our diplomatic representation in Rangoon, the Members wish to caution against a policy of constructive engagement with the SLORC. Engagement, if properly calibrated, might give us a modicum of influence in Burma; at a minimum, it would enable us to speak a little more forcefully on the need for an end to the repression in Burma. But engagement must not be allowed to become a veneer for business as usual.

Instead, Members urge the Administration to consult with Japan, our friends in ASEAN, and other important actors in the region, and to work with the European Community and other members of the United Nations, in an effort to maximize international influence on the ruling regime.

The Subcommittee welcomes the 1988 decision by Japan, along with other industrialized democracies, to halt the flow of new Official Development Assistance (ODA) to Burma. The Subcommittee understands that this was not an easy decision, inasmuch as Japan has had a long historical relationship with Burma, and since Japanese commercial

interests felt threatened by the suspension of ODA. The Subcommittee hopes and expects that the United States, Japan, and the other industrialized nations of the world will maintain the existing consensus on banning new bilateral aid and international loans to Burma until fundamental political reform has taken place.

In this regard, Members understand that because the United Nations designated Burma a "least developed nation" in 1987, the government of Japan has been encouraged to reduce or forgive Burma's official debt. The Subcommittee is concerned that foreign exchange gained through such debt reduction helps to underwrite the SLORC's purchases of arms from abroad, and does not materially advance the welfare of the people of Burma. Unless and until the current regime undertakes comprehensive political reform, the Subcommittee believes the U.N. should remove Burma from the list of least developed nations. In addition, the Subcommittee has substantial reservations about other U.N. assistance to Burma, particularly by UNDP, and would welcome a comprehensive Administration reassessment of all ongoing U.N. projects in the country.

The Subcommittee also recognizes the potentially important role that ASEAN can play in moderating SLORC's behavior and promoting more humane governance in Rangoon. As Members note elsewhere in this report, ASEAN is an organization with a growing importance in the region and throughout the globe. Like all external actors, ASEAN has only limited influence on the historically isolated Burmese regime. Members are also aware of ASEAN's desire to respect the sovereignty of other nations, and to avoid interfering in their internal affairs. On the other hand, the Subcommittee has observed the tentative steps ASEAN, led by Malaysia and Indonesia, has taken over the past year to reassess the effectiveness of constructive engagement. Most recently, Members have welcomed the policy debate in Bangkok and the principled decision by Thai Prime Minister Chuan to allow several Nobel laureates including the Dalai Lama to visit Thailand to raise the issue of Burma.

Burma's perennial status as a pariah country should be a source of persistent embarrassment to ASEAN. In addition, Burma's self-imposed isolation and only recently modified economic policies have constituted lost opportunities for regional economic growth. The SLORC's repressive internal policies have also created regional security problems by fostering border incidents and refugee flows. Finally, Burma's inability and/or unwillingness to deal with transnational issues like AIDS and narcotics also implicate ASEAN and other regional states.

The Subcommittee understands that Burma may be seeking to diversify its foreign economic relations and strengthen its institutional linkages to the region by seeking to join ASEAN. While greater regional interaction by Burma could help promote positive change, the Subcommittee would very strongly urge ASEAN to develop a common approach that, publicly or privately, links any improvement of relations with Burma to significant and measurable reform. Likewise, the Subcommittee would also welcome ASEAN efforts, individually or collectively, to encourage a just and durable negotiated solution to Burma's forty-year civil war. While U.S. and ASEAN tactical approaches to dealing with Burma may continue to differ, the Subcommittee is confident we seek essentially the same objective.

China undoubtedly possesses the greatest influence with the SLORC of any foreign country. The Subcommittee is aware of very unhelpful Chinese arms sales, as well as low-key Chinese cooperation on some humanitarian issues like the Rohingya refugee crisis, and calls on the Administration to engage Beijing in a dialogue designed to find ways to persuade the Burmese government to moderate its undesirable behavior.

While the United States and the European Community have already imposed a total arms embargo on Burma, and the U.S. has also discouraged other governments from transferring arms to the regime in Rangoon, the Subcommittee would support a comprehensive international arms embargo on Burma. The Subcommittee likewise supports continued multilateral initiatives in the United Nations General Assembly and the United Nations Human Rights Commission, as well as UNICEF initiatives to address pressing humanitarian needs.

At the same time, the Subcommittee is aware that there exists very little international support for comprehensive economic sanctions, and certainly none within the region. Nor do Members see any possibility that unilateral U.S. economic sanctions would be sufficient to force the regime to change its policies. While the Subcommittee hopes that the American business community would very seriously take Burma's human rights record into account when considering any commercial transaction -- and as a matter of general policy this Subcommittee would discourage American firms from making new investments at the present time -- Members do not deem it fair or prudent to insist that American businesses forego commercial or investment opportunities in Burma unless Burma's other economic partners are prepared to exercise the same restraint.

Last year more than a quarter million Rohingya Muslims fled Burma for asylum in Bangladesh, bringing with them

terrifying tales of rape, summary executions, forced labor, and religious persecution. Approximately 25,000 have returned to Burma in recent months. The Subcommittee is gratified by the recent decision by the government of Bangladesh to work with the U.N. High Commissioner for Refugees to ensure the safe and voluntary return of the refugees, but would point out that UNHCR is still without authorization to monitor returnees and the conditions they face. The Subcommittee strongly urges Rangoon to permit such monitoring and to provide credible and verifiable assurances that the conditions that prompted the exodus have ended.

The Subcommittee calls upon the Burmese government to:

- release Aung San' Suu Kyi and all other political prisoners;
- permit the transfer of political power to an elected civilian government based upon the results of the 1990 election;
- end its violation of the human rights of its people;
- permit the return of the refugees who have fled to Thailand, Bangladesh, and elsewhere, under conditions that guarantee their safety and economic well-being; and
- take actions that demonstrate a genuine commitment to combating the narcotics trade in Burma.

The United States provides no aid to the Burmese government, but we have furnished financial assistance to students and other Burmese who have fled their country and now reside along the Thai border. The Subcommittee supports this program and has been concerned by the inability of the executive branch to spend the one million dollars authorized for FY 1993. Subcommittee Members urge the appropriate executive branch agencies to resolve expeditiously the impasse that has held up this disbursement. In addition, the Subcommittee disagrees with the Administration's decision to terminate this aid next year, and recommends the authorization of another million dollars for this program in FY 1994. Finally, the Members support a continuation of the contributions that the United States has made through the UNHCR to support the Rohingya refugees in Bangladesh.

CAMBODIA

As this Subcommittee makes its foreign assistance recommendations for fiscal 1994, the outcome of the U.N.-brokered transition process in Cambodia remains uncertain. As of this writing, the Cambodian elections for a new constituent assembly have been completed. Eligible Cambodian voters have turned out in massive numbers -- with an approximately 90 percent turnout -- thereby repudiating Khmer Rouge appeals to boycott the elections. Despite State of Cambodia suggestions to the contrary, Members believe the vote to have been relatively free and fair.

The Subcommittee would like to commend the Cambodian people for their extraordinary courage in the face of serious violence and political intimidation, and for their determination to achieve a legitimate act of self-determination despite formidable obstacles.

In this context, the Subcommittee hopes that the May 23-28 elections will constitute a watershed development in modern Cambodian history, auguring in a period of relative political stability, political pluralism, and national reconstruction. However, the depth of commitment by Cambodia's political leaders to genuine national reconciliation remains unclear. Members remain concerned that the destructive, frequently zero-sum, two-decade old power struggle between the country's four dominant political factions could continue into the foreseeable future and thus stymie Cambodia's reconstruction.

The Subcommittee would stress that the best efforts of the international community cannot substitute for responsible political leadership and genuine national reconciliation by the Cambodian people. It is ultimately up to the Khmer themselves to determine their own political destiny.

Nevertheless, the Subcommittee continues to believe the ongoing U.N.-led Cambodian peace process, bruised but unbowed, still holds out the best -- or least unacceptable -- means of creating a legitimate and internationally recognized government, facilitating foreign disengagement from the conflict, and ultimately preventing a return to power by the ruthless and anarchical Khmer Rouge.

Under the terms of the October 1991 Paris Accords, the United Nations Transitional Authority in Cambodia (UNTAC) was tasked with the most complex, ambitious and expensive peacekeeping operation in U.N. history. Support for the plan by key international actors, including China and

Vietnam, was crucial to facilitating their withdrawal from the proxy element to the Cambodian civil war. Internally, UNTAC was tasked with disarmament and demobilization of Cambodian forces and ensuring the removal of any foreign forces; supervising a cease-fire; repatriating some 350,000 displaced persons on the Thai-Cambodian border; organization and conduct of late May elections for a 120 seat constituent assembly; supervision of civilian administrative agencies to ensure a neutral political environment; supervision of police/security forces; human rights monitoring and education; and relief and rehabilitation.

Although substantial scrutiny has been paid to UNTAC's failings, the Subcommittee would also like to point out that the UN effort has also achieved several notable successes.

Over 1,000 party offices representing 20 registered political parties had opened up across the country prior to elections. Civic education and political party programs were broadcast daily on Radio UNTAC and by other means. About 4.7 million registered voters (about 96% of the eligible population) were set to elect in late May a 120 seat constituent assembly, from which a new constitution and government are scheduled to emerge.

In addition to electoral preparation, the repatriation from Thailand of 365,000 refugees has also been a major logistical success. By the end of April UNTAC expected that the repatriation would have been completed, and remaining camps on the border have been officially closed. The Subcommittee is interested in the fate of the several hundred refugees who have indicated their opposition to being repatriated, and will follow UNHCR's case-by-case consideration of their status. The Subcommittee welcomes intensified efforts to integrate returnees, and would urge UNHCR to devote additional resources to monitor the fate of returnees.

The Subcommittee profoundly regrets that a stable and politically neutral environment -- including the cantonment, disarmament, and substantial demobilization of the armies of the four Khmer factions -- could not be achieved prior to the May elections. This became impossible because in June 1992 the Khmer Rouge refused to participate in Phase II of the Paris Accords and subsequently opted out of the electoral process. During the Spring of 1993, the Subcommittee was also dismayed by the escalating climate of violence in Cambodia, first by the Phnom Penh regime against political opponents and then by the Khmer Rouge against Vietnamese civilians and UNTAC itself, that at one point appeared to put the U.N. plan and May elections in serious peril.

The Subcommittee is heartened by extraordinarily heavy voter turnout and the absence of substantial electoral-related violence by the Khmer Rouge or other Cambodian factions. Given the potential obstacles that could have seriously derailed the election, UNTAC's leadership and staff deserve high commendations from the Congress for truly remarkable efforts to conduct the freest and fairest elections possible under the circumstances -- the first in over twenty years and certainly the freest in Cambodian history.

Members would observe, however, that the post-election transition to a new constitution and new government in Cambodia remains a fragile undertaking.

The Subcommittee strongly encourages the U.N. and international community to remain committed to a process of institution building and facilitating genuine national reconciliation between the contesting parties during the post-election transition. However, Members recognize that UNTAC is limited by its peacekeeping mandate and cannot impose peace on unwilling or hostile parties.

In this context, despite the increasing isolation of the Khmer Rouge, the Subcommittee remains deeply concerned about their ongoing insurgency. Their forces operate throughout the entire country. While the Khmer Rouge appear to have increased their fighting strength in recent months, they do not seem capable of taking the country by force. While the Subcommittee is heartened by the fact that Khmer Rouge military power is limited, media reporting suggests that their insurgency remains highly disciplined and organizationally cohesive. Their core leadership, centered on Pol Pot, remains intact. While the Khmer Rouge's fidelity to "Maoist" ideology remains uncertain, the Subcommittee would observe that their ideology simply appears to be a matter of convenience. To the extent Members can discern common threads in Khmer Rouge strategy and tactics, it would be a determination to regain absolute power and a fanatical desire to expunge the country of Vietnamese nationals and influence. The populist "united front" anti-Vietnamese nationalism espoused by the Khmer Rouge appears, unfortunately, to resonate among many in the Cambodian populace.

Given these facts, the Subcommittee believes that the Khmer Rouge are unlikely to make a sudden military bid for power. Rather, they appear to be taking the long view. Perhaps they will seek to exploit any ineffectiveness or corruption within Cambodia's new government to undermine it from without. Perhaps they will simply wait to be invited into a "government of national reconciliation" and undermine it from within. Whether this latter scenario will both prevent renewed civil war and engage the Khmer

Rouge in a political process that will ultimately destroy their movement -- as the Paris Peace Accords held out the promise of doing -- or facilitate the attainment of Pol Pot's core objectives while leaving Khmer Rouge military power intact, remains a perplexing and unanswered question. Resolution of this issue, however, will have important practical and moral implications for future U.S. policy and the support for that policy within the Congress. Consequently, the Subcommittee would strongly urge the Administration to continue its close consultation with concerned Members in this regard.

Should the Khmer Rouge ultimately remain outside the political process, it would appear that border controls -- along with rural economic development, relatively effective governance from Phnom Penh, and neutralization of the volatile Vietnamese issue -- will be an essential component of any strategy to isolate and marginalize their power.

The Subcommittee notes that a number of constraints on the commercial and revenue gathering activities of the Khmer Rouge have already been imposed by the Cambodians themselves and the United Nations, and further notes the substantial difficulties in enforcing these and any additional measures. Nevertheless, it would underscore its belief that it is in the enlightened self-interest of all of Cambodia's neighbors -- most particularly Thailand -- to do their utmost to help support the new post-transitional government that will emerge in Phnom Penh, including strict implementation of current or any subsequent border controls.

Intractable as many of Cambodia's problems would appear, this is no time for the Congress and the administration to slacken our collective resolve to work with others to foster the peaceful reconstruction of Cambodia's shattered society.

The U.S. has a number of interests at stake in the ongoing Cambodian drama. We have an important, some would say compelling, moral and humanitarian interest in preventing a return to power of the genocidal Khmer Rouge. Relatedly, the U.S. has an important economic and security interest in working with our friends and allies in East Asia to facilitate the peaceful reconstruction of Indochina and its reintegration into the dynamic Southeast Asian region. The U.S. also has an important interest in ensuring the best possible outcome of the UNTAC effort, in terms of both demonstrating American leadership in Asia and improving the efficacy of the U.N. as an instrument of collective security in the post-Cold War international order.

Members are concerned that Cambodia's new government could prove weak, without strong civic, legal and political institutions to help provide effective governance and protection of human rights. In addition, tendencies toward political fragmentation could remain strong, particularly in the context of an ongoing Khmer Rouge insurgency. Therefore, the Subcommittee would urge the U.S. and the U.N. to explore with the Khmer people the potential for the U.N. and other international actors to play a continued role in Cambodia beyond UNTAC's August mandate, particularly in the areas of security, reconstruction and rehabilitation, and human rights.

The Subcommittee believes U.S. foreign assistance for FY 94 and beyond must be developed in concert with an integrated development package involving other bilateral and multilateral donors. In this regard, the Subcommittee is concerned that Cambodia's 8% growth rate in 1992 will be difficult to sustain once UNTAC's mandate ends this August. Likewise, Members would note that rehabilitation has proceeded more slowly than was hoped. Although Cambodian leaders have authorized some \$300 million in rehabilitation projects, only about \$100 million of the \$880 million pledged at the 1992 Tokyo Conference on the Rehabilitation and Reconstruction of Cambodia has actually been dispersed as of April 1993. According to UNTAC, the main problem involves disputes among non-Khmer Rouge factions that has caused donors and international financial institutions to delay credit arrangements until after the May elections.

The Subcommittee supports the Administration's request for \$10 million in Economic Support Funds for Cambodia. It also urges that Cambodia receive most if not all of the monies allocated for the Southeast Asia Contingency Fund should a legitimate government emerge from internationally acceptable elections and conditions within the country permit the efficient utilization of these resources.

The Subcommittee notes that there are few development challenges of a character or scale like Cambodia. It is a poor, war-ravaged country about the size of Oklahoma. The quality of life for its nine million people is low, with an overall life expectancy of fifty. Virtually every Cambodian family has lost at least one member as a result of the last 25 years of violence. Because of Cambodia's long history of violence and turmoil, the country's needs are virtually unlimited. According to AID, the U.S. is committed to a long-term, technical training program coupled with country-wide programs for infrastructure development, democratic training and institution-building, de-mining, and provision of critical humanitarian needs including child survival. The Subcommittee hopes that an internationally legitimate and stable democratic Cambodian

government will emerge from the transition process to be a viable partner with AID and private voluntary organizations in the provision of critical U.S. bilateral assistance.

Given the fluidity of the situation in Cambodia, the Subcommittee believes it unwise to unduly restrict the flexibility of the administration in the provision of bilateral U.S. foreign assistance. In this regard, Members would observe that because of the changing circumstances within Cambodia many of the conditions which Congress formerly imposed on bilateral U.S. assistance are no longer of compelling relevance.

However, this Subcommittee emphasizes that it would strongly oppose the provision of any U.S. foreign assistance to any Cambodian organization that cooperates with the Khmer Rouge in their military operations. Likewise, the Subcommittee would continue to support the prohibition contained in section 906 of the International Security and Development Cooperation Act of 1985, which prohibits U.S. assistance to the Khmer Rouge insurgents.

Since the spring of 1992, there has been a United States POW/MIA office in Phnom Penh. The Subcommittee acknowledges Cambodia's outstanding cooperation in our efforts to obtain a full-accounting of Americans missing in Indochina.

The Subcommittee wishes to commend the outstanding work done by the United States Mission in Phnom Penh, and particularly its Special Representative accredited to the Cambodian SNC, Mr. Charles Twining. Under difficult and often dangerous circumstances, the U.S. Mission personnel have done great credit to the United States and the Foreign Service in promoting U.S. objectives in Cambodia.

INDONESIA

On November 12, 1991, Indonesian military units opened fire and killed a large number of anti-Indonesian demonstrators in Dili, the capital of East Timor. Indonesia had invaded East Timor in December 1975 after Portugal, the colonial ruler of East Timor, withdrew and civil war broke out in the territory.

In December 1991, President Soeharto appointed a military "Honorary Council" to investigate the conduct of security forces in the incident. The council announced its results in February 1992, refuting earlier military claims about the number of civilian deaths, and finding that some members of the security forces had been negligent, had failed to anticipate problems adequately, or had violated military ethics and discipline.

As a result of this finding, 4 officers and 6 enlisted members of the security forces were court-martialed in May and June, one on charges of assault and 9 others on charges of exceeding or failing to obey official orders. All of the soldiers were convicted and received sentences ranging from 6 to 18 months in prison. Six senior officers were disciplined; three, including the brigadier general who commanded security forces in East Timor at the time of the incident, were discharged. Five other officers were investigated further, one of whom was to be retried because of his alleged failure to act decisively during the incident.

By comparison, 13 Timorese were charged in connection with either the November 12, 1991, demonstration in Dili that preceded the shooting incident, or a November 19, 1991, demonstration in Jakarta that protested the shootings. Four were charged with subversion and 9 others were tried on felony hate-sowing or sedition charges. All 13 were convicted and received sentences ranging from 6 months to life in prison. The life sentence was unusually harsh even in a subversion case.

The disparity between the sentences highlights the fact that the Indonesian judiciary is not independent. Judges are civil servants employed by the executive branch of the Indonesian Government and as such are subject to considerable pressure from military and other governmental authorities.

While the meting out of punishment provides an official Indonesian "conclusion" to the Dili incident, the Subcommittee remains actively concerned about respect for human rights in East Timor. The Subcommittee notes that none of the members of the security forces charged in

connection with the Dili incident were charged with actually killing civilians and that the exact number of civilians killed has never been established. The government will say that only "about 50" civilians were killed. Additionally, 66 people remain unaccounted for after several months of investigation by the military.

In light of these outstanding questions surrounding the Dili incident and other serious human rights problems -- including torture and other mistreatment of detainees, arbitrary interference with individual liberties, and significant restrictions on fundamental civil and political rights -- the Subcommittee recommends that the Administration continue to pursue vigorously concerns about human rights in both bilateral and multilateral forums. In this regard the Subcommittee applauds the Administration's decision to support a resolution adopted by the United Nations Human Rights Commission that expresses deep concern at human rights violations in East Timor.

The Subcommittee also suggests that should the Administration request resumption of International Military and Education Training (IMET) funding, that the U.S. allocate a portion of its Development Assistance (DA) funding to assist the Indonesian government in developing the rule of law and to ensure that fairness and impartiality becomes the hallmark of both criminal and civil proceedings. The various international initiatives of the American Bar Association serve as potential models for a new Indonesian initiative.

The Subcommittee is also aware of a petition filed by Asia Watch and the International Labor Rights Education and Research Fund to remove Indonesia from among those countries eligible for the Generalized System of Preferences (GSP) on the basis of alleged workers' rights violations.

The Subcommittee notes that while there are no formal constraints on the establishment of unions, the recognition requirements of registration as a mass organization, union offices in 20 of the countries 27 provinces, branch offices in at least 100 districts, and 1,000 plant level units, are a high legal barrier to recognition and the right to engage in collective bargaining. In effect, there is a single union system, and it is the Government's stated policy to seek to improve the effectiveness of the one recognized union rather than ease the process for the formation of alternative organizations.

Additionally, observance of minimum wage and other laws regulating benefits and labor standards varies from

sector to sector and region to region and generally, government enforcement and supervision of labor standards is weak.

Subcommittee Members believe that the Administration should consider the GSP petition in the broader context of overall U.S.-Indonesian relations. Indonesia's geographic location places it at the center of critical passages between the Middle East and the West Coast of the United States, a position that has increased in importance after the U.S. withdrawal from the Philippines. In this regard, Members would observe that although military relations with the U.S. is of some political sensitivity, informal, small-scale joint exercises and access to facilities have increased in recent years. Indonesia's assumption of the chairmanship of the Non-Aligned Movement also gives it an important and moderating influence in the North-South dialogue. Indonesia has been increasingly supportive of American interests in the Asia-Pacific region and the Middle East, has played a crucial role in international efforts to bring peace and stability to Cambodia, and has informally taken the lead in trying to facilitate a peaceful resolution of territorial disputes in the South China Sea.

In his recent visit to the U.S., the Indonesian Foreign Minister made clear that Indonesia is willing to address these issues through continued dialogue. The Subcommittee recommends that the Administration pursue such a dialogue.

PHILIPPINES

Despite the closing of the last U.S. military facility in the Philippines in November 1992, the Subcommittee believes that the United States still enjoys an important relationship with the Philippines. The U.S. remains committed to the Mutual Defense Treaty which remains in effect and is one of the five security treaties that serve as the foundation of our security position in Asia. This treaty provides for continued defense cooperation, including ship visits, joint exercises, sea and air transit, and assistance by U.S. forces during natural disasters. The Subcommittee also notes our common interest in the success and stability of constitutional democracy and in the economic prosperity of our peoples.

During Fiscal Year 1993, the United States contributed \$157 million in total aid to the Philippines. Although that is the largest amount of aid provided to any Asian country the amount is less than half that provided to the Philippines in Fiscal Year 1991.

The Subcommittee notes that in open and generally fair elections on May 11, 1992, Filipinos voted into office some 1,600 local, provincial, and national officials. Fidel V. Ramos, former Secretary of Defense, was elected President from a field of seven candidates. Outgoing President Corazon Aquino concluded her six-year term in office and on June 30 President Ramos was inaugurated as the new Head of Government -- the first constitutional transition of power since 1965.

President Ramos has taken steps to ensure the continued stability of democratic government by making "national reconciliation" his first priority and establishing a National Unification Commission to promote peace talks with all rebel groups. Government and Communist Party representatives reached an agreement in September to begin formal peace negotiations. Little progress has been made since then but long-term prospects for a peaceful solution are good. The Communist insurgents are now openly split into factions and are much weakened. However, combatting them still consumes substantial government resources. In addition, splinter groups from the insurgency pose continuing terrorist threats.

Muslim separatists pose no serious threat to the Ramos Government, though they present a security risk to government forces in southern Mindanao. In addition, support within the armed forces for the rebel Reform the Armed Forces Movement (RAM) and the Young Officers Union (YOU) appears to have significantly declined. Prominent

military rebel leaders have emerged from hiding and started peace talks with the Government in January.

Economically, the Ramos administration has made a credible start to push ahead with reform, as well as fiscal discipline, but much remains to be done for solid, sustainable economic performance. The Philippines liberalized restrictions and reduced tariffs on a large list of products this past fall, freed foreign exchange controls and satisfactorily finished its standby agreement with the International Monetary Fund (IMF). Negotiations are under way for a medium-term economic adjustment program with the IMF which will build on the just completed stabilization program. In general terms, the Philippines must make significant additional progress in market opening, privatization, and budget deficit control to move the economy forward to take advantage of market forces and participate competitively as an international trader.

Historical and cultural ties between the Philippines and the U.S. remain strong, even after the end of the colonial relationship following World War II and after a contentious period of negotiations over the future of U.S. bases in the Philippines. More than 3 million Filipinos live in the U.S., making them the largest Asian ethnic group, while some 250,000 Americans live in the Philippines, creating extensive family links that bind the two countries.

The Subcommittee believes that the Philippines has made great progress recently but that much more needs to be done. The Administration has recommended \$7.7 million in Foreign Military Financing, \$10 million in Economic Support Funds, and \$2.0 million in International Military and Educational Training for fiscal year 1994. The subcommittee notes that FMF is down \$7.3 million, ESF is down \$15 million, and IMET is down \$300,000 from FY 1993 levels. The Subcommittee is alarmed by the downward trend in aid to the Philippines, and hopes that aid levels for Development Assistance and the Multilateral Assistance Initiative will be as generous as possible given the constraints on overall foreign aid levels.

Multilateral Assistance Initiative

Over the past 4 years, the United States has appropriated \$478.5 million of the initial five-year \$1 billion pledge to the Multilateral Assistance Initiative (MAI). That amount has leveraged approximately \$9.8 billion in external assistance pledges. The Subcommittee recognizes that the lack of a formal authorization and overall budget constraints have prevented the MAI from receiving the full amount of the U.S. pledge during the life of the program. The Subcommittee expects the Administration to request \$40 million for the MAI for fiscal year 1994 and will support that request. The Subcommittee also recommends that the MAI be extended until the U.S. meets its original pledge amount, provided that the Administration submits the following two reports to the Congress on the same basis as the President submits congressional presentation documents under the Foreign Assistance Act:

a. a report listing the objectives and accomplishments of the MAI during its first four years of operation; and

b. an annual report to accompany the Administration's requests for further funding of this program past fiscal year 1994, once again spelling out the objectives for which the assistance is being requested.

The MAI was created in 1989 to support political stability and provide a favorable policy environment for economic growth, help the Philippine Government mobilize capital and other resources, and improve the coordination of donor contributions.

Political stability was largely attained by the end of the Aquino administration and the Ramos administration has fostered a process of national reconciliation aimed at further weakening dissident political elements. Furthermore, the Aquino years left a legacy of macro-economic stabilization.

The Consultative Group (CG), led by the World Bank, the U.S., and Japan has promoted a far-reaching trade liberalization agenda. Recent trade reforms have lifted most of the quantitative restrictions on imports and freed up export and import financing. Moreover, the Philippine Government has simplified its tariff structure by setting four basic rates, with the main result that the effective rate of protection will decrease from 22.74% prior to MAI to an expected 17.58% in 1995.

The Private Enterprise Policy Support Program funded by the MAI has led the Philippine Government to make positive changes toward outside investment. Foreign investors now may hold sole ownership of export industries and most enterprises aimed at the Philippine domestic market.

The MAI leverages non-U.S. funds and promotes greater efficiency in spending U.S. tax dollars: within the ambit of the MAI, the United States and other donors maximize the value of each "aid dollar" contributed to the Philippines. The CG meets regularly to discuss, among other things, the Philippines government's development strategy, each donor's portfolio, and obstacles encountered in the delivery of bilateral and multilateral aid. For example, early in the MAI program, the CG raised the issue of whether the Philippines had the absorptive capacity to program an influx of greater aid resources. The Philippine Government demonstrated its responsiveness by establishing a small yet highly effective unit under the office of the President, the task of which is to untangle the bureaucratic knots. The Coordinating Council for the Philippine Assistance Program (CCPAP), as the MAI is known in the Philippines, has earned high marks from many donors for its attention to implementation concerns.

The MAI promotes greater efficiency in the use of resources by using the influence of a unified donor community to get greater cohesion and quicker responsiveness from the government. While the Philippines may have to accommodate the diverse programming mechanisms of the many donors, there is one basic, unified agenda of the donors that is reflected in the MAI coordination framework. This eliminates duplication and competition among the donors, provides an important element of transparency, and ensures that major development issues in the Philippines are being addressed.

SOUTH PACIFIC REGIONAL

During fiscal year 1993 the South Pacific regional program received \$7.67 million in Development Assistance. That amount is \$696,000 less than fiscal year 1992 and \$1.531 million less than fiscal year 1991. This program is used to provide assistance to ten countries: the Cook Islands, Kiribati, Niue, Tonga, Tuvalu, Western Samoa, Fiji, Papua New Guinea, the Solomon Islands, and Vanuatu. The Subcommittee recognizes the budget constraints placed on the U.S. foreign assistance program, but -- given U.S. security interests in maintaining secure air and sea routes with friends and allies in the Asia-Pacific region and with the Indian Ocean, as well as our political interests in cooperation with friendly, stable democratic governments and America's economic interest in access to regional marine resources and markets -- believes that aid levels for the South Pacific should be restored to at least the modest level of funding allocated for fiscal year 1991.

The Subcommittee notes that the nations of the South Pacific face a wide variety of problems with which they need assistance. The island nations have diverse economic standards, with some nations having extensive human and natural resources while others are not economically viable. Some islands also face nutritional disorders and serious health problems such as cardiovascular disease, hypertension, diabetes, gout, and cancer. The region also faces uncontrolled population growth, as well as, increases in drug abuse, alcoholism, AIDS, violent crime, and suicide.

Given the trend in foreign assistance for the South Pacific over the last few years, the Subcommittee is distressed that the Administration has chosen to reduce the U.S. diplomatic presence in the region. Although the Subcommittee strongly commends the decision to maintain our embassy in Apia, Western Samoa, it deplores the projected closure of posts in Honiara, Solomon Islands, and Koror, Palau. Subcommittee Members note that the Administration will save barely \$800,000 by closing these posts yet this will result in removal of a permanent U.S. presence in these island countries. The reduction of U.S. diplomatic offices in the South Pacific cannot help but be perceived as a lessening of America's interest, ties, and commitment to the affairs of the region. By closing these posts, the U.S. once again threatens to dissipate the region's reservoir of goodwill that has existed since the Second World War, which the October 1990 Honolulu summit meeting with Pacific Island heads of government had done so much to restore. For these reasons the Subcommittee

strongly urges the Administration to reconsider closing these posts.

Joint Commercial Commission

The Joint Commercial Commission (JCC) was proposed by President Bush at the October 27, 1990, meeting in Honolulu with island heads of government. The objective of the JCC is to foster and strengthen mutually beneficial commercial and economic relations between the Pacific Island nations and the United States. The JCC has the potential to complement the economic policies of the Pacific Island governments which stress growth of the private sector in their respective national development programs by providing a consultative mechanism to enhance commercial and trade links among the member nations.

The Subcommittee is pleased to note that the outgoing Bush Administration signed the Memorandum of Understanding establishing the JCC on January 12, 1993, and hopes that the Clinton Administration will continue to work aggressively on setting a date for the initial meeting of this important organization as well as develop a substantive trade and economic agenda for that meeting.

South Pacific Tuna Treaty

In fiscal year 1993, the Agency for International Development's regional program for the South Pacific provided \$14 million in Economic Support Funds (ESF) for the South Pacific Fisheries Treaty, recently extended for ten years at \$140 million. These funds enable U.S. tuna boats to have access to tuna stocks in the region, as well as provide marine resources development, export marketing assistance, environmental protection, and commercial agricultural development.

The Subcommittee supports the funding of the Tuna Treaty and notes that given the magnitude of the U.S. tuna industry, our small investment under the treaty pays significant dividends while assisting related development in the Pacific Island states.

South Pacific Nuclear Free Zone

The Treaty of Rarotonga, which entered into force on December 11, 1986, established the vast South Pacific Nuclear Free Zone (SPNFZ). The zone extends to the Western Australia coast in the west and the equator in the north. In the east it is adjacent to the area of application of the Treaty of Tlatelolco (for the denuclearization of Latin America) and in the south, to the Antarctic Treaty area. It therefore contributes to a mosaic covering a substantial part of the southern

hemisphere and 40 percent of the planet.

The treaty constitutes a genuinely collective effort by the members of the South Pacific Forum to address their concerns about nuclear testing, the ocean dumping of nuclear waste, and the horizontal proliferation of nuclear weapons. It also commits the parties to important obligations in those areas.

The Subcommittee urges the Administration to review SPNFZ with an eye toward announcing its accession to the protocols of the treaty. Subcommittee Members note that in the past the principal U.S. concerns with SPNFZ have been its potential impact on the Navy's freedom of navigation and on our "neither confirm nor deny" (NCND) policy, the extent to which SPNFZ encroaches upon U.S. control over and access to U.S. trust territories in the Pacific, relations with France, and whether adherence would strengthen pressure for nuclear-weapons-free zones in other strategically important regions which could damage U.S. security interests.

The Subcommittee points out that the end of superpower confrontation has provided the opportunity for dramatic changes in the area of arms control and disarmament and, that during the process of drafting the treaty, the South Pacific Forum made a special effort to accommodate U.S. military operational requirements. In particular, Subcommittee Members would stress that signing and ratifying the SPNFZ protocols in no way harms U.S. security interests in the South Pacific, but would in fact advance our regional political interests. In fact, SPNFZ was purposely drafted to protect the right of transit through the zone by U.S. nuclear-powered and nuclear-armed vessels. During Congressional testimony, Bush Administration officials conceded that the provisions of the treaty do not constrain the United States from carrying out any activity which the U.S. government planned to undertake in the treaty zone.

The Subcommittee believes that signing and ratifying the Protocols of the Treaty of Rarotonga would not harm U.S. strategic interests and would generate a significant amount of goodwill in the region.

Fiji

The Subcommittee is pleased that Fiji has returned to democratic government following the May 1992, elections in which nearly 80 percent of Fiji's registered voters -- both ethnic Fijians and Indo-Fijians participated. Prime Minister Rabuka was elected to parliament overwhelmingly by his local constituency and was appointed prime minister by the President after he demonstrated support within the House of Representatives including the support of 13 Indo-Fijians from the Fiji Labor Party. This support came in return for Rabuka's pledge to review provisions of the Fijian constitution which are of concern to Indo-Fijians. Those provisions are also of serious concern to the Subcommittee.

The Fijian Constitution continues to guarantee ethnic Fijians dominance of the Government by providing indigenous Fijians with 37 of 70 seats in the elected lower house of Parliament. Indo-Fijians are accorded 27 seats, Rotumans 1, and other races 5. In the Senate, indigenous Fijians hold 24 of 34 seats, Rotumans 1, and the other groups 9. Other constitutional features are designed to ensure that the Prime Minister be an ethnic Fijian. The constitution also sets forth selection procedures for the office of President that virtually ensure that the President will also be an ethnic Fijian.

The Subcommittee will continue to monitor the situation in Fiji and hopes that ethnic Fijians and Indo-Fijians can come to a mutually acceptable agreement.

PAPUA NEW GUINEA

The Subcommittee is pleased that Papua New Guinea was able to conduct free and fair elections during June 1992, to bring about the fifth constitutional and peaceful transfer of power since independence in 1975. The new government of Prime Minister Wingti took office in July and has made resolving the crisis on Bougainville Island, the last redoubt of secessionist insurgents, a high priority. A political solution, however, remains elusive.

Subcommittee Members remain concerned about the secessionist movement on the island of Bougainville and the violence and human rights abuses associated with the fighting. The subcommittee notes that there are credible reports of political and other extrajudicial killings by both the Papua New Guinea Defense Force (PNGDF), which is plagued by a lack of discipline, and the Bougainville Revolutionary Army (BRA).

Members are also concerned about an incident in September 1992, where a ten-man PNGDF squad shot and killed two Solomon Island citizens. The shootings took place during a raid on a Solomon Islands village across the border from Bougainville Island. The Subcommittee notes in this regard that during fiscal year 1993, the PNG was allocated \$125,000 in IMET funding and believes that the fiscal year 1994 IMET funding request of \$125,000 should be used to restore discipline within the PNGDF.

The Subcommittee urges the Administration to assist in finding a peaceful resolution to the fighting on Bougainville, to discourage human rights violations, and to help prevent an escalation of conflict between Papua New Guinea and the Solomon Islands. Likewise, the Subcommittee will pay close attention to PNG efforts to control rampant crime, and particularly to government proposals to reverse presumptions of innocence in criminal cases by placing the burden of proof on the accused.

SOUTH PACIFIC REGION ENVIRONMENTAL PROGRAM

The Subcommittee recognizes that protection of the local marine and island environment is of the utmost priority to the nations of the South Pacific. One step that the United States could take to demonstrate its sensitivity to regional concerns on environmental issues would be to sign and ratify the treat underlying the Convention and related Protocols of the South Pacific Region Environmental Program (SPREP). The SPREP Treaty and Protocols, in general, requires parties to take all appropriate measures to prevent, reduce, and control pollution and degradation of the environment from any sea or land activity in the South Pacific under control of the signatories.

Although the U.S. has been a signatory to the SPREP Convention and Protocols since November 1986, a treaty establishing SPREP as a working intergovernmental organization for protection of the South Pacific's environment has not been joined by the United States. All the Pacific Island governments stand ready to execute the SPREP but are being delayed by a dispute between the U.S. and France. The disagreement stems from whether the American and French territories in the South Pacific shall be permitted to vote as equal members with sovereign states on treaty matters.

The Subcommittee urges the Administration to work expeditiously to resolve the impasse with France, and thereafter sign and present for Senate ratification the Treaty and Convention and related Protocols of the South Pacific Region Environmental Program. The Subcommittee believes that signing and ratifying the SPREP Treaty is consistent with the Administration's expressed concern for the protection of the global environment.

NEW ZEALAND

Despite a history of close ties based on shared values and interests, as well as elements of common heritage and shared sacrifice in the great wars of this century, relations between the U.S. and New Zealand have been strained since 1985. At that time, New Zealand's former Labour Government, notwithstanding its obligations under the Australia-New Zealand-U.S. (ANZUS) alliance, enacted legislation which forbade visits by U.S. Navy vessels that are nuclear powered or potentially nuclear armed. In response the U.S. suspended military and security cooperation with New Zealand under ANZUS and reduced other government contacts to a low level. Secretary Baker and President Bush began in 1990 and 1991 to resume a few high-level contacts.

With the removal of nuclear weapons from U.S. ships except ballistic missile submarines, in September 1991, New Zealand's government began consideration of possibly adjusting -- after careful study -- the legal restriction on nuclear-powered ships. In December 1992, a New Zealand government-commissioned report found that nuclear-powered ships pose no threat and should be allowed to visit the country.

The Subcommittee appreciates that New Zealand's anti-nuclear legislation is still on the books and for now precludes its return to ANZUS. However, Members believe that the context of U.S.-New Zealand relations has changed so radically since 1985 that a fresh look at policy towards New Zealand is now warranted.

New Zealand is a friendly country that shares our values and has a similar approach to ours on many important issues. New Zealand's more active and positive international role in economic forums, including the General Agreement on Tariffs and Trade and the Asia Pacific Economic Cooperation forum, and its useful participation in the Security Council and in UN peacekeeping operations deserve U.S. praise and support. Although New Zealand's anti-nuclear movement remains strong, the findings of the recent government-sponsored inquiry into the safety of nuclear powered ships have injected a helpful and balanced perspective into New Zealand's nuclear debate.

The Subcommittee believes that at this time, when multilateral effort and burden-sharing are so important, placing restrictions on New Zealand's access to U.S. officials is no longer appropriate. Increased contact, including at the highest level, would help ensure that we have New Zealand's support on issues of importance to the

U.S. and could contribute to a more informed public debate in New Zealand and an eventual resolution of the basic problems.

Subcommittee Members acknowledge that any policy change should take account of the need to avoid making the nuclear issue an element in the New Zealand election this coming November. For this reason, Members are convinced that these restrictions should be lifted sooner rather than later.

The Subcommittee therefore urges immediate lifting of current National Security Council guidelines restricting New Zealand's access within the Administration, with a view toward normalizing official and political level contacts.

THAILAND

On February 23, 1991, the Thai military, led by General Suchinda Kraprayoon, overthrew the democratically elected government of Prime Minister Chatichai Choonhavan. Army leaders declared martial law, dissolved parliament, abolished the constitution and installed a National Peacekeeping Council (NPC) composed mainly of military leaders. The NPC announced that a new constitution would be drafted and new elections would be held in 1992. To lead a transition government, the military appointed Anand Panyarachan, a businessman and retired diplomat, as Prime Minister.

The February 1991 coup elicited a condemnation from the United States and in keeping with section 513 of the Foreign Operations Appropriations Act, the United States suspended its foreign aid program to Thailand. The February 1991 cutoff affected approximately \$14.6 million in fiscal year 1991 obligated funds. The suspension also precluded programs in fiscal year 1992 which would have totalled around \$23 million.

Although the elections were held as promised in March 1992, and were viewed as free with no major abuses, beyond the "standard" Thai practice of substantial vote-buying in rural areas, unexpected turmoil and violence ensued in May. At that time, Bangkok was rocked by massive pro-democracy demonstrations, violent acts committed by some demonstrators, and the tragic killing of at least 48 people (other estimates which may be more accurate go above 300) by army and police personnel who fired into crowds of demonstrators. The demonstrations were in opposition to Prime Minister Suchinda, who as commander-in-chief of the army had led the coup.

In response to dramatic efforts to end the conflict by Thailand's revered King, Prime Minister Suchinda submitted his resignation on May 24, 1992. Former Prime Minister Anand was reappointed to a temporary four-month term as Premier, during which time he reshuffled the military leadership and lessened the control of the military at key state enterprises. At the same time, parliament was suspended until a genuinely democratic government was formed after free and fair elections in October 1992.

In November 1992, President Bush certified that Thailand had a democratic government and restored foreign aid to Thailand. During fiscal year 1993 Thailand will receive \$6.065 million in Development Assistance and \$2 million in IMET funding.

The Subcommittee is extremely gratified at the return

to democratic government and welcomes the resumption of aid to Thailand. Prime Minister Chuan Likphai faces difficult social and political issues. He has made progress on a number of these, including adoption of a budget that provides increased social services and defusing lingering political tensions from the May violence. Nevertheless, the Subcommittee remains concerned with the relative weakness of political parties in Thailand and would welcome creative suggestions on means to strengthen the role of parties in Thai politics.

The Subcommittee also notes that the new military leadership appear to fully support constitutional civilian government. Members point out that through our IMET program and an active joint exercise program, the U.S. continues to promote professionalism in the Thai military. The Subcommittee hopes that continued strong military-to-military ties, as well as our IMET program, will complement efforts by Thailand's civilian leadership to professionalize the military and institutionalize respect for civilian democratic government.

In addition, the Thai are a major consumer of U.S. defense equipment and training, which promotes interoperability between our respective armed forces, enhances professionalism within the Thai military and expands U.S. exports. Our extensive exercise program with Thailand provides invaluable training for U.S. forces in the theatre.

The Subcommittee believes that the U.S. gains a great deal from its military relationship with Thailand and therefore supports continued IMET funding for Thailand at the requested fiscal year 1994 level of \$1.8 million.

Thailand's economy has recently experienced near double digit economic growth rates and as a result economic issues have become an important bilateral concern. Thai-U.S. trade has expanded nearly six-fold, rising from around \$1.5 billion in 1981 to over \$9 billion in 1991. The value of U.S. investment in Thailand has also rapidly increased, expanding from \$360 million in 1981 to over \$4.5 billion in 1991.

With the increased importance of economic issues in the relationship, intellectual property rights (IPR) and workers rights have become major bilateral issues. Last year, Thailand was re-designated a "priority foreign country" under special 301 legislation. Because of Thai political problems however, the U.S. did not retaliate against the country's poor protection of IPR, but put the Thai government on notice. The Subcommittee notes that there are indications that the Thai Government has recently increased enforcement of intellectual property

laws by confiscating pirated audio and video tapes. The Subcommittee hopes that such increased enforcement efforts will be sustained, and that the USTR will not have to impose sanctions under section 301 of U.S. trade law.

With regard to workers rights, the Chuan Government has pledged to amend labor laws and taken some steps on workers rights, but much remains to be done. State enterprise workers still do not enjoy internationally recognized rights, such as freedom of association and collective bargaining. In this regard, the Subcommittee notes that the AFL-CIO filed a petition against Thailand to remove the country from among those eligible for the Generalized System of Preferences (GSP). The Subcommittee urges the Thai Government to make much needed changes in its labor laws and hopes the Administration will carefully review Thai proposals in this regard before rendering a decision on GSP benefits.

Economic growth and population pressure have resulted in severe environmental degradation in both urban and rural areas. Serious air pollution, toxic waste management and solid waste collection and disposal problems are present in virtually every urban center. Serious depletion of forests threatens watersheds and increases pollution damage to coastal areas, beaches, and marine life.

The Subcommittee believes that the small amount of development assistance, \$6.065 million in fiscal year 1993, that Thailand receives from the U.S. should be continued in order to bring together U.S. and Thai institutions -- including government agencies, non-governmental organizations, universities and private companies -- to facilitate investments in U.S. technologies which address the AIDS and environmental problems in Thailand.

The Subcommittee applauds the Thais for providing essential cooperation to the United Nations Transitional Authority in Cambodia (UNTAC) since the beginning of its operations in Cambodia. The Thai have contributed troop and police units to UNTAC and served as a primary logistics base for UNTAC operations. They have publicly endorsed UN Security Council Resolution 792 providing for economic measures against the Khmer Rouge and the Prime Minister has made a good-faith effort to halt prohibited cross border trading activity with Cambodia. It is less clear how UNSC Resolution 810, prohibiting commercial exploitation of minerals and gems in Cambodia and their export, will impact Thailand. The Subcommittee expects that Thailand will live up to its international obligations in this respect.

The Subcommittee also recognizes that Thailand has borne the brunt of the international consequences for the Cambodian conflict, including hosting for over fifteen years more than 350,000 Cambodian refugees and displaced persons. Thailand's cooperation is crucial to a successful political settlement in Cambodia. Here the Subcommittee notes that Thailand would appear to have a compelling national interest in supporting any new Cambodian government to emerge from relatively free and fair elections this May, and to work with the international community in seeking to bolster that government against the Khmer Rouge or other insurgents.

Members are pleased that Thailand has made dramatic reductions in opium production within its borders, partly through programs which receive substantial U.S. funding. The Thai have also provided essential cooperation in the rendition of drug kingpin Lin Chien Pang to the United States in January 1993, where he will be tried in court for heroin trafficking.

The transit of heroin, refined primarily in Burma, through Thailand continues to be a major problem. The Subcommittee urges U.S. and Thai governments to continue to work on eradication of opium cultivation in Thailand and on joint efforts at interdiction of heroin.

SOUTHEAST ASIA REGIONAL FUND

During fiscal year 1993, the Southeast Asia Regional Fund was allocated \$25 million in ESF. The Fund is designed to sustain Cambodia's long-term economic and political development, promote democratic values and human rights, and help bring peace and stability to the region. It also helps obtain Cambodia's continued cooperation on POW/MIA issues and cooperation with Laos on counter-narcotics issues.

The Administration is requesting \$20 million for fiscal year 1994 for the Southeast Asia Regional Fund. In addition to the above mentioned programs, the FY 1994 request would also support the UN settlement plan, assist Cambodians in leadership training, human rights education, and provide assistance for long term development needs. The Subcommittee supports the Administration's request.

ASSOCIATION OF SOUTHEAST ASIAN NATIONS

During fiscal year 1993, AID supported the U.S. Government's ongoing economic dialogue with the Association of Southeast Asian Nations (ASEAN) member countries (Indonesia, Malaysia, Thailand, Singapore, the Philippines, and Brunei Darussalam). The AID program focuses on regional economic growth with particular emphasis on stimulating U.S.-ASEAN private sector investment. Program interventions are designed to assist U.S. and ASEAN business to overcome constraints to the transfer of U.S. technology.

In FY 1992, the program began support for regional ASEAN environmental policy and regulatory improvements, training and technical assistance in the management of urban and industrial pollution controls, and stimulating the use of U.S. expertise, goods and services in the resolution of industrial pollution problems.

The Subcommittee points out that since its formation in 1967, ASEAN has grown over the years into an increasingly influential organization in East Asia, as its members have grown more prosperous. It has given its members more influence on Asia-Pacific trade and security arrangements than they could have achieved individually. The essence of ASEAN has long been consultation, consensus, and cooperation.

In recent years, ASEAN has been developing a role as a forum for consultations on regional security issues. This new direction reflects the major changes following the end of the Cold War, as well as, concern about the scope and implications of a U.S. military drawdown in Asia, concerns over territorial disputes in the South China Sea, and an emergent possibility of cooperating with the UN Security Council in responding to regional threats to international peace and stability.

The principal interaction between ASEAN and the U.S. is the annual "Post-Ministerial Conference" (PMC) which is held immediately following the ASEAN Ministerial Meeting (AMM). In addition, ASEAN holds regular bilateral dialogues with its seven dialogue partners. This year the 11th ASEAN-US dialogue will be held in Brunei. The PMC will be held in Singapore.

The future direction of ASEAN is toward expansion. Papua New Guinea was granted observer status in 1989; Vietnam and Laos became observers in 1992. All three hope to become full members. Burma is seeking observer status, but that has not yet been granted.

For the last two years, the Russian and Chinese foreign ministers have attended the AMM as guests. This year, ASEAN may propose to invite the two foreign ministers and others to an informal dinner with PMC foreign ministers. ASEAN envisages both countries eventually achieving dialogue partner status.

Given the importance and future direction of ASEAN, the subcommittee believes that the funding level for ASEAN should remain at the FY 1993 level of \$2.45 million.

ASIA PACIFIC ECONOMIC COOPERATION

The Asia Pacific Economic Cooperation (APEC) was formed in Canberra, Australia, in 1989 and includes the economies of Australia, Brunei Darussalam, Canada, the People's Republic of China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Chinese Taipei, Thailand, and the United States.

The primary objective of APEC is to strengthen trade and investment links between the APEC economies through liberalization. The chair of APEC rotates annually amongst the APEC economies -- the U.S. currently holds the Chair and will do so until the end of the year. This year the annual ministerial level meeting will be in Seattle in November.

The core work of APEC is undertaken in the Working Group on Regional Trade Liberalization. The agenda of this group includes harmonization of customs procedures, and improved transparency in investment procedures, as well as, removal of non-tariff barriers.

In addition, there are a number of other working groups focused on means to increase cooperation and reduce transaction costs in the areas of energy, transportation, marine resources, investment and technology, and human resources development.

Members believe that APEC is an important emerging organization which should promote far-reaching economic and trade liberalization and market-oriented solutions to problems associated with growing regional economic integration.

The subcommittee is pleased that a permanent Secretariat has been established in Singapore and believes that the proposed APEC heads of government meeting will work to strengthen the organization.

INDIA

While it has become something of a cliché, it is nonetheless true that the end of the cold war should enable the United States and India to enter into a more cordial and productive relationship. Subcommittee Members view this as a goal greatly to be desired. South Asia, with one quarter of the world's population, is simply too important to be ignored, and the United States can least afford to disregard India, the largest country in the region and the world's most populous democracy.

Still, several difficult issues must be resolved before a truly collaborative partnership between India and the United States can be established. Perhaps the most pressing problem separating our two countries relates to the tacit nuclear standoff in South Asia. Both India and Pakistan are believed to have the materials and technological know-how to fashion nuclear weapons in short order, as well as the means to deliver these weapons. Subcommittee Members are quite troubled about the nuclear arms race in South Asia, and by the possibility that this competition could lead to war, even nuclear war.

The Subcommittee is inclined to believe that the current U.S. nuclear nonproliferation legislation in South Asia bears further scrutiny, and that India's nuclear program is of equal concern to the United States as that of Pakistan. Members are struck by the fact that under current legislative conditions, India has little incentive to be forthcoming on nuclear issues.

The Subcommittee also notes that Pakistan has repeatedly declared that it would take any step to diminish nuclear tensions in the region that India also takes. Pakistan's sincerity in this respect has never been put to the test, because India has thus far declined to treat Islamabad's offer with the seriousness it deserves.

India, as the stronger of the two nations, would seem to possess more flexibility on defense issues than Pakistan. New Delhi of course points to a threat from China, and argues that so long as China maintains a nuclear arsenal, India must keep its options open. The Subcommittee is not unsympathetic to Indian concerns in this regard. But absent greater Chinese interest in regional and global arms control, or productive Sino-Indian dialogue on these issues, Subcommittee Members fear that Delhi's arguments can be used to avoid any action whatsoever, even as nuclear-related tensions in South Asia continue to worsen.

The Subcommittee is convinced that proliferation in

South Asia is chiefly a regional problem and requires a vigorous regional approach, which could be augmented by broader multilateral efforts such as the negotiation of a comprehensive test ban. Under ideal circumstances, both India and Pakistan would join the Nuclear Nonproliferation Treaty and agree to the same international safeguards that most of the world's other countries have already accepted. However, other bilateral and regional steps -- such as the establishment of a South Asia Nuclear Weapons Free Zone, the cessation of fissile material production, and the negotiation of a test ban -- would be useful as well, and the Subcommittee would welcome these and similar measures. The Subcommittee also encourages other nations, including Russia, Germany, and Japan, to take a more active role in the effort to reduce nuclear-related tensions on the Subcontinent.

While the Subcommittee does not believe that it is productive to link a continuation of U.S. assistance to India's nuclear program, it is aware that a growing number of House Members have come to feel otherwise, and calls upon New Delhi to take actions that would render such a step less likely.

The question of Kashmir has become considerably more pressing over the past few years -- as a human rights concern, as a potential cause of another war between India and Pakistan, and as an issue troubling Indo-American relations.

India faces a full-blown, largely indigenous insurgency in Jammu and Kashmir, and few signs suggest that either the militants in J&K or the government of India is tiring of the struggle. It seems extremely unlikely that either side will be able to impose a military solution on the other, and continued bloodshed appears the most likely scenario for the foreseeable future.

The Subcommittee urges both the government of India and the Kashmiris to pursue a just and durable political solution, but is forced to concede that the prospects for a genuine political dialogue between Delhi and the Kashmiris appear bleak. Publicly, Delhi appears to believe that the insurgency is first and foremost a problem caused by Pakistani meddling. Although the evidence does not support this thesis, the Subcommittee is unaware of any comprehensive government strategy for responding to the legitimate political grievances of the Kashmiri people. In fairness, it must be noted that powerful ultra-nationalist forces in the Indian political arena are poised to attack any government concessions, which further reduces the chances for productive discussions aimed at ending the insurgency.

In the meantime, there is a growing consensus that some Indian security forces have engaged in widespread human rights abuses in Kashmir against the insurgents and civilian population, which is majority Muslim. Unfortunately, the number of such abuses -- including rape, reprisal attacks against civilians, summary executions, torture of detainees, systematic arson, and attacks on medical personnel and human rights monitors -- has increased dramatically in recent months. The Subcommittee calls upon the government of India to impose civil and criminal sanctions on those responsible for human rights abuses, and to make available lists of security force members who have been punished for these lawless actions. Members also strongly urge Indian authorities to allow the International Committee of the Red Cross unrestricted access to prisons and other places of detention in J&K.

The Subcommittee fully recognizes that the insurgents, who are also majority Muslim, are responsible for grave abuses against the civilian population, particularly the Hindu Pandits, and condemns such lawlessness. Insurgents too must understand that their actions are unacceptable violations of human rights and gain them no sympathy from the world community.

Delhi would seem to have little chance of ending the insurgency in J&K so long as some within its security forces engage in wanton acts of violence. Moreover, so long as the abuses in Kashmir continue, the image of all involved will suffer in the United States, and perhaps throughout the world.

The United States has followed a largely hands-off policy with respect to Kashmir's international status. On the diplomatic side, Washington has been content to let India and Pakistan try to settle the problem by themselves, as envisioned in the 1972 Simla accords. But the Simla agreements did not foresee the emergence of Kashmiris as a third party to the dispute, and it is now difficult to imagine a settlement that is imposed upon the Kashmiris without taking their wishes into account.

The Subcommittee is inclined to believe that the U.N. resolutions calling for a plebescite in Kashmir have been overtaken by history. In any event, the resolutions do not provide the Kashmiris with a choice other than accession to either India or Pakistan, although the majority of Kashmiris would probably reject both of these courses in favor of independence. Both India and Pakistan have incorporated parts of the pre-1947 state of Jammu and Kashmir into their respective territories, and the Line of Control dividing Kashmir has taken on many of the attributes of an international border. While a plebescite

might remain the most desirable means of allowing the Kashmiris to express their own views, it is almost impossible to imagine a situation where both Delhi and Islamabad would agree to such a vote. Subcommittee Members believe that any policy that is premised on the holding of a plebescite throughout the entire pre-partition state of J&K is doomed to failure.

Members are open-minded as to whether a more active U.S. role in trying to resolve the Kashmir dispute might be appropriate, but are conscious of the fact that no one has been able to describe with any precision what sort of role would be constructive. The Subcommittee would support the U.S. undertaking a more active effort in Kashmir only if all the parties to the dispute display a genuine desire for U.S. help.

The Subcommittee also remains concerned about human rights conditions in the Punjab, where the Indian government, for its part, has not done enough to rein in the military, which has used excess force to suppress an insurgency, and where violence and bloodshed continue at an alarming rate. The Subcommittee simultaneously notes that Sikh militants are also guilty of engaging in the use of indiscriminate terror, and condemns such practices by all parties. Subcommittee Members do not believe that a military approach offers a lasting solution to the grievances felt by many in Punjab, and urge a continuation of the political process now underway. Village level elections held earlier this year produced an impressive voter turnout, suggesting that Punjabis themselves are tiring of violence and increasingly supportive of a peaceful solution. Only through genuine dialogue, which takes the legitimate grievances of all parties into account, will true peace come to Punjab. The Subcommittee calls upon the government of India as well as the Sikh militants to observe the civil and human rights of all the inhabitants of the Punjab, and to ensure access of international human rights organizations to the region.

The whole issue of human rights, not simply in J&K and Punjab but throughout India, is a source of considerable concern to the Subcommittee. Members are especially troubled by the communal and religious strife that has plagued India since late last year. Particularly disturbing are reports that some senior Indian politicians have had a hand in fomenting the violence, and that there were police officers who stood aside rather than protect innocent victims of mob action, the majority of whom were Muslim. Should violence of the sort that rocked the country in December and January persist, the very foundations of Indian secularism could be called into question. Subcommittee Members cannot overstate their conviction that religious and political tolerance is

absolutely essential to the preservation of democracy in India.

The Subcommittee urges the government of India to take stronger steps to protect the rights of minorities, including Muslims, who have been the frequent targets of violence in recent months. Members further call upon the government of India to ensure that all its citizens enjoy the full protection of the law in the exercise of their fundamental human rights.

The Subcommittee welcomes signs that Delhi might be reconsidering its longstanding opposition to permitting Amnesty International to make official visits to India, but is mindful of the fact that at least some government officials have been making similar promises for several years. Subcommittee Members continue to believe that India's refusal to allow an official visit by Amnesty International shows disregard for international sensibilities and is counterproductive to India's own interests. They urge Delhi to grant official access to all parts of India to Amnesty International, the International Committee of the Red Cross, and other internationally recognized human rights groups. The Subcommittee also hopes that any domestic human rights commission that is created enjoys the full confidence of India's numerous human rights advocacy groups, and is empowered with authority sufficient to act as a real deterrent to abuses.

South Asia, and India in particular, represents a market of enormous potential for American exports. The United States is India's largest trading partner, with total two-way trade of \$6 billion in 1992. U.S. investments in India surpass \$600 million and could easily double or triple that figure. In general, American business has barely begun to tap the potential of India's vast middle class, which may number as many as two hundred million people. Subcommittee Members believe that a thriving economic relationship can help lay the groundwork for Indo-U.S. cooperation in other fields.

The Subcommittee strongly applauds the program of far-reaching economic reform carried out by Prime Minister Rao's government, and believes that these efforts to strengthen the free market, liberate the private sector from excessive regulation, and encourage foreign investment make sense not only in terms of promoting closer Indo-U.S. economic ties, but as a means of improving living conditions for hundreds of millions of Indians.

Earlier this spring India was named a "priority" country under the Special 301 section of the Omnibus Trade

Act of 1988. Subcommittee Members are concerned about reports that Indian companies are infringing on the patents of U.S. firms, especially in the pharmaceutical industry, and urge Delhi to move expeditiously to resolve this dispute in a fair and equitable manner. More generally, unless Indian authorities are prepared to protect U.S. intellectual property rights, this issue will continue to be an impediment to strengthened bilateral ties.

Despite encouraging progress, India remains a land where hundreds of millions of people live in abject poverty. Placed in the context of India's need, the U.S. foreign aid program in India has been extremely modest in recent years. Yet Subcommittee Members believe this program has played an important role in assisting India to care for many of its most disadvantaged people, and in helping to create conditions conducive to a thriving democratic system. As a result, Members would be reluctant to see a reduction in U.S. aid levels for India.

Nor does the Subcommittee support legislation that would condition development assistance to India on the Indian government taking certain actions designed to promote human rights. The Subcommittee notes that it has received testimony from human rights groups that they do not favor such a linkage either. The Subcommittee sees no justification for punishing the most vulnerable and needy segments of Indian society for the actions of security forces over which they have no control.

Subcommittee Members note that our modest IMET program improves U.S. contact with the Indian military and gives us an opportunity to influence its human rights practices. In this context, it is worth pointing out that IMET generally provides one of the least costly but most effective means of supporting broad U.S. foreign policy and national security objectives. The Subcommittee notes that the collapse of the Soviet Union and improved U.S.-Indian relations have created a favorable climate for enhanced military cooperation. Although Members understand that the Administration does not seek a strategic alliance with India, they join with the executive branch in welcoming the development of the same kind of cooperative military relations that we enjoy with other friendly non-allied nations.

While difficult issues continue to trouble bilateral relations between India and the United States, the Members of the Subcommittee are convinced that a vigorous partnership between the two countries is in the interests of both, and wish to go on record as endorsing efforts aimed at promoting ever-closer Indo-American ties.

PAKISTAN

The Subcommittee views with considerable dismay the deterioration that has taken place over the past several years in relations between Pakistan and the United States. Pakistan has long been a good friend and close ally. Throughout the 1980s, a period when the bilateral partnership was particularly cordial, Pakistanis won the admiration and respect of the American people for their courage and steadfastness in standing up to the Soviet Union after that country invaded Afghanistan. Without the key role Pakistan played in helping the Afghan mujaheddin, the Soviets might still be in Afghanistan.

Ironically, relations between Washington and Islamabad flourished in the 1980s even though the United States harbored serious reservations about the autocratic nature of the government Pakistan possessed until 1988. Only after the November 1988 elections did democracy come to Pakistan, thus sweeping away one of the last obstacles to a sustained bilateral partnership based upon shared ideals as well as common interests. In the years since 1988, democratic institutions have struggled to take hold in Pakistan, with somewhat mixed results. One bright spot in recent months, however, has been the apparent determination of the Pakistani military to stay out of politics. Subcommittee Members are convinced that an apolitical military is essential to the establishment of a viable democratic system in Pakistan.

Subcommittee Members wish to stress their very strong conviction that a healthy democracy in Pakistan is the sine qua non for a truly collaborative relationship between our two countries. Were the nascent Pakistani democracy to falter, it would be very difficult to address the other significant problems that now preclude a genuinely cooperative partnership. In this context, Members recall that the Subcommittee's 1991 foreign aid report referenced a study authored by the National Democratic Institute following the 1990 elections in Pakistan, which referred to "serious problems" in Pakistan's electoral process and warned that if "safeguards in the system are not significantly strengthened, . . . the development of democratic institutions in Pakistan will be seriously threatened." Two years later, Subcommittee Members fear that such safeguards have not yet been put into place, and call upon the Pakistani government, as a first step, to create a truly independent and neutral electoral commission that enjoys the confidence of all major political parties.

U.S.-Pakistani relations have been dominated in recent months by Washington's grave concerns about

state-supported terrorism, and the question of whether Pakistani activities in Jammu and Kashmir and elsewhere are of such a nature as to require placing Pakistan on the list of state sponsors of terrorism, pursuant to Section 6(j) of the Export Administration Act.

From a policy standpoint, Members recognize that a decision to add Pakistan's name to the list of those countries supporting international terrorism would adversely affect a whole range of U.S. interests, and sincerely hope that such a step can be avoided. At the same time, they believe that the Administration's first responsibility is to uphold the law. It would seem incumbent upon Pakistan, therefore, to take the actions required to avoid triggering the law, and the Subcommittee urges Islamabad in the strongest possible terms to do so.

The Subcommittee recognizes that Pakistanis have legitimate concerns about the well-being of the inhabitants of Jammu and Kashmir. Members are convinced, however, that it is not simply unwise for Pakistan to directly and actively support the militants in J&K, but actually counterproductive to the interests of those in J&K whom Pakistan wishes to assist. Instead, Members strongly believe that Pakistan's concerns about conditions across the Line of Control should be expressed through political and diplomatic channels.

Questions regarding Pakistan's nuclear weapons program have also troubled relations between Pakistan and the United States in recent years. Most forms of U.S. assistance to Pakistan were suspended in 1990 under the terms of the Pressler amendment, which requires an annual certification by the U.S. president that Pakistan does not possess a nuclear explosive device. The Pressler amendment was adopted in 1985 in order to allow U.S. assistance to Pakistan to go forward at a time when Islamabad was otherwise ineligible for American aid because it had violated U.S. nonproliferation laws.

The Subcommittee recognizes that Pakistan's nuclear program enjoys great popularity in some segments of Pakistani society. Members also understand that many Pakistanis view a nuclear deterrent as necessary in the face of a decisive Indian superiority in conventional arms. Nonetheless, the Subcommittee is convinced that a nuclear and ballistic missile arms race on the Subcontinent is not in Pakistan's interest, and that both Pakistan and India would be well advised to accept new restraints on the acquisition of both a nuclear arsenal and the means by which to deliver such weapons.

Subcommittee Members strongly believe that the security interests of both Pakistan and India would be

enhanced if both were to accede to the Nuclear Nonproliferation Treaty and accept full-scope safeguards on all their nuclear facilities.

The Subcommittee is not entirely comfortable with the way in which the Pressler amendment has singled out one, and only one, country in South Asia. Nonetheless, Members feel strongly that the Pressler amendment was part of an explicit bargain between Pakistan and the United States, under which Islamabad received vast quantities of U.S. assistance throughout the 1980s in return for agreeing not to cross certain nuclear thresholds.

The United States lived up to its part of this bargain, whereas by 1990 at the latest, Pakistan had violated its obligations. Islamabad should not be under any illusions about the future of the Pressler amendment; Congress is not likely to take action that might suggest to Iraq, North Korea, or other potential nuclear weapons states that the United States is prepared to subordinate its nonproliferation objectives to other policy goals.

Subcommittee Members call upon Pakistan to take the steps that would once again qualify it for a Pressler amendment certification. The Members would welcome a dialogue with the Administration on appropriate means to further U.S. nonproliferation objectives in South Asia and elsewhere around the globe.

The American aid relationship with Pakistan is also regulated by the Symington amendment (Sec. 669 of the Foreign Assistance Act of 1961), which seeks to prevent the transfer of unsafeguarded nuclear enrichment equipment and technology. Some years ago, Pakistan was found to have violated the Symington amendment, and since then has required a special waiver in order to remain eligible for U.S. assistance. That waiver expires on September 30, 1993. The Subcommittee is unable to recommend a further extension of the Symington amendment waiver under present circumstances. If, however, Pakistan were to receive a Pressler amendment certification, then many of the Subcommittee's underlying concerns about Pakistan's nuclear program will have been eased, and the Subcommittee would be pleased to revisit the question of whether to grant another waiver for the Symington amendment.

The Subcommittee continues to have serious concerns about the possibility of war between India and Pakistan. Twice in the past six years, tensions between these two neighbors have almost escalated into full scale warfare. The two countries engage in almost daily skirmishes along the Line of Control in Kashmir. Members are convinced that another war between India and Pakistan would be a great catastrophe for the peoples of South Asia, and urge

both governments to take appropriate steps, including the establishment of various confidence building and tension reduction measures in both the nuclear and conventional spheres, to reduce the chances of war.

Capping the South Asian arms race would be a particularly constructive action. In this regard, Subcommittee Members have been quite alarmed by press reports that Pakistan has acquired M-11 missiles from China. Should such reports prove true, this will not only further destabilize the region, but could trigger U.S. sanctions as well.

Human rights also form part of the U.S.-Pakistani dialogue, since democratic values cannot flourish in the absence of a respect for human rights. Subcommittee Members, while acknowledging some progress on the human rights front in recent years, continue to have many concerns about human rights practices in Pakistan. Police abuse of women in custody and other forms of state-sanctioned violence against women are of particular concern to Members, as is official complicity in the ill-treatment of religious minorities, including the Ahmadi and Christian communities.

The Subcommittee also has a special interest in seeing that journalists and other members of the press are accorded the protections due them in a society that practices as well as preaches freedom of the press. Members call upon Pakistani authorities to take the steps necessary to insure that a respect for human rights becomes a hallmark of Pakistani society.

The Subcommittee has been pleased by many of the market-oriented economic reforms pursued by the Pakistani government over the past several years, and hopes that these and other measures will be vigorously pushed. Subcommittee Members believe that enhanced economic ties between the United States and Pakistan might make it somewhat easier to resolve some of the other difficulties separating the two countries.

The narcotics situation in Pakistan remains immensely troubling, and Members find it increasingly difficult to understand why more progress is not being made on the counter-narcotics front. They have been particularly alarmed by news reports linking Pakistani officials and politicians with drug barons involved in the heroin trade. Inasmuch as heroin addiction is a major problem not merely in the United States but in Pakistan, Members do not believe it is unreasonable to expect Islamabad to pursue more effective counter-narcotics measures.

Pakistan remains a vastly underdeveloped country, with

extremely low health and education indicators and a population experiencing an explosive growth rate. The resources available to Pakistan to raise the living standards of its people are quite limited, and the presence of several million Afghan refugees within its borders has placed further strains on these resources.

Subcommittee Members believe that the government of Pakistan would be well advised to divert some of the resources it is currently expending on the military to address the social needs of its population. The same is true for the monies Pakistan is spending on its nuclear program, where a return to the standards set forth in the Pressler amendment would not only free up Pakistani resources, but make possible a resumption of U.S. economic assistance as well.

Last year, Congress adopted generic legislation that had the effect of authorizing limited FY 1993 assistance for Pakistan, channeled through non-governmental organizations, for important programs such as family planning. In view of Pakistan's pressing social needs, the Subcommittee supports the retention of such authority for FY 1994 and 1995.

The Subcommittee notes that the time is quickly approaching when even the pipeline economic assistance permitted under the Pressler amendment will be depleted. The final termination of U.S. assistance, projected for the end of 1994, will make it even more difficult for the government to respond to the basic needs of its people, and constitutes another compelling reason for Pakistan to rein in its military and nuclear weapons programs. Were Pakistan to do so, this would constitute an important milestone in the process of recapturing something of the warmth that characterized bilateral relations a few years ago.

SRI LANKA

Sri Lanka has been wracked in recent years by horrendous violence, including brutal civil war, political assassination, and widespread violations of human rights.

Twice within the past month, Members of the Subcommittee have been saddened and outraged by assassinations that have taken the lives of President Ranasinghe Premadasa and opposition politician Lalith Athulathmudali. It is the hope of the Members that all those responsible for these cruel acts of terrorism will be quickly apprehended and brought to justice.

The Sri Lankan people have shown themselves capable of dealing with great adversity in the past, and Members have every confidence that in the days and weeks ahead, Sri Lankans will once again demonstrate that while mindless violence can take the lives of individuals, it cannot kill the spirit of democracy. The Subcommittee does not doubt that democracy will survive in Sri Lanka, despite the all-too-frequent violence, and notes that the United States has no more compelling interest in Sri Lanka than the strengthening of democratic values and institutions.

The Subcommittee remains extremely concerned about the ongoing civil war in Sri Lanka, and is especially alarmed by the fact that no one seems to believe that a resolution to the conflict is likely in the foreseeable future. Members advocate ending the bloodshed through dialogue, and urge the Administration to explore whether the United States might play a more active role in helping to establish conditions under which a genuine dialogue between the combatants could be started.

Subcommittee members have been encouraged by reports that the Sri Lankan government has made progress in the area of human rights over the past year. They applaud the government for carrying out most of the recommendations made by Amnesty International and the U.N. Human Rights Commission when they visited Sri Lanka two years ago, and urge Colombo to allocate sufficient resources to ensure their effective implementation. The Subcommittee has taken particular note of the government's decision to give the International Committee of the Red Cross (ICRC) virtually unrestricted access to detention facilities, allowing the ICRC to register detainees and monitor their treatment, and permitting ICRC officials to provide humanitarian relief in the war zone.

At the same time, Members note that credible reports continue to link the security forces to disappearances and extrajudicial deaths, and urge the Sri Lankan government to accelerate its efforts to ensure that the human rights

of all its citizens receive adequate protection.

The Subcommittee does not wish to suggest that the Sri Lankan government is the only group or organization responsible for human rights abuses. To the contrary, the Liberation Tigers of Tamil Eelam (LTTE) are responsible for a wide range of abuses, including the brutal massacre of more than 150 civilians in four Muslim villages last November. So long as the LTTE employs terrorist tactics against not only its political opponents but innocent bystanders as well, it has no chance whatsoever of gaining a sympathetic hearing in this country for its grievances.

The Subcommittee has supported past executive branch requests for development assistance and P.L. 480 aid to Sri Lanka, and continues to believe such assistance serves a useful purpose. In addition, the Subcommittee endorses efforts by AID to contribute to ongoing market-oriented reform in Sri Lanka, including privatization of the public sector and liberalization of the economy. Subcommittee Members encourage the Sri Lankan government to continue recent policies of economic reform, which hold the promise of lifting Sri Lanka into the ranks of the New Industrialized Countries.

The Subcommittee wishes to add, however, that it is absolutely essential, if congressional support for American assistance is to be sustained, that the government of Sri Lanka continue to make progress on the human rights concerns that have been raised.

NEPAL

The Subcommittee has watched political developments in Nepal over the past three years with considerable pleasure. Members are extremely gratified by the manner in which Nepal, a country with few indigenous democratic traditions, has negotiated the transition from absolute monarchy to parliamentary democracy, and believe that other countries might draw useful lessons from Nepal's experience.

Economic hardship and an extremely low standard of living (Nepal's per capita income is only \$160 per year) pose the most serious threats to the success of Nepal's democratic experiment. For democracy truly to flourish in Nepal, the people of that nation must be convinced that political pluralism can satisfy their basic economic needs. In this context, the Subcommittee encourages the Nepalese government to accelerate recent steps toward economic liberalization and sustainable development.

Nepal deserves U.S. assistance not only because it is one of the world's poorest countries, but because if political pluralism can take root in Nepal, it can almost certainly grow anywhere in the world. The Subcommittee believes that FY 1993 development assistance levels of \$15.6 million constitute an absolute minimum.

The Subcommittee is also pleased by the significant improvement in human rights conditions that have taken place in Nepal over the past three years. At the same time, the Members remain concerned about police brutality, the abuse of detainees, and child labor, and urge the authorities in Kathmandu to take all steps necessary to eliminate these problems.

BANGLADESH

Democratic rule was restored in Bangladesh only two years ago, following national elections judged by international observers as the freest in Bangladeshi history. The Subcommittee remains intensely interested in the state of democracy in Bangladesh, and salutes the people of Bangladesh for their success in bringing democracy to their country. At the same time, Members appreciate that democratic institutions in Bangladesh are still fragile and vulnerable. The Subcommittee wishes the people of Bangladesh well in their quest for a stable democracy, and is prepared to support requests that would help promote that objective.

Subcommittee Members are disturbed by the State Department's assessment that the human rights situation in Bangladesh deteriorated last year, and wish to underscore the fact that democracy cannot survive in an atmosphere where the government is less than fully committed to the protection of individual human rights. The Subcommittee urges the government of Bangladesh to redouble its efforts to guarantee that all Bangladeshis enjoy lives free from threats to their fundamental human rights.

Bangladesh, which is one of the poorest and most densely populated countries in the world, faces many of the problems common to newly-democratic and desperately poor nations: un- and underemployment, underdevelopment, an inadequate infrastructure, a scarcity of investment capital, illiteracy and other low social indicators, and a weak tradition of democratic institutions. In addition, Bangladesh has frequently been victimized by cyclones and other natural disasters, which have placed additional demands on Bangladeshi resources.

Not surprisingly, one of AID's largest programs is in Bangladesh. The Subcommittee applauds AID for the important work it has done to help make Bangladesh's family planning program so successful, but notes that even in this area, much more remains to be done. Given the magnitude of the need in Bangladesh, the Subcommittee finds a relatively high level of U.S. assistance entirely appropriate.

Besides its concern about political pluralism, human rights, and economic development in Bangladesh, the Subcommittee is interested in the plight of the approximately 250,000 Rohingya refugees who have fled into Bangladesh seeking to escape persecution by the military regime in Burma. Bangladesh has been remarkably hospitable to the Rohingyas, despite the strain this has placed on scarce Bangladeshi resources. Unfortunately,

credible reports surfaced last year indicating that the Bangladeshis were coercing some refugees to return to Burma, and had denied U.N. personnel free access to Rohingya refugee camps, in violation of earlier Bangladeshi pledges.

The Subcommittee is pleased to receive more recent reports indicating that the Bangladeshis have stopped forcible returns and are allowing officials representing the U.N. High Commissioner for Refugees more access to the camps. It applauds the May 1993 agreement between Bangladesh and the U.N. governing access to refugee transit camps, and hopes for full and speedy implementation. The Subcommittee remains most interested in the plight of the Rohingyas, and calls upon the government of Bangladesh to continue its cooperation with UNHCR and other relief agencies in an effort to alleviate some of the hardships faced by these unfortunate refugees. Subcommittee members support a generous U.S. contribution to the U.N. Rohingya relief effort.

The Subcommittee also takes note of an agreement signed between Bangladesh and India to repatriate thousands of Chakma tribespeople who fled from their homes in the early 1980s to escape fighting by Shanti Bahini rebels seeking autonomy for the Chittagong Hill Tracts bordering India and Burma. The Subcommittee joins with the executive branch in urging that this 20-year-old insurgency be settled by peaceful negotiation, and is pleased to note a dialogue between Dhaka and the Shanti Bahini appears to be underway. Members will continue to monitor reports of human rights violations by either the Shanti Bahini or the government in the Hill Tracts.

AFGHANISTAN

When the Soviet Union announced its intention a few years ago to withdraw from Afghanistan, the world optimistically assumed that the long national nightmare of the Afghan people was over. Sadly, this judgment proved wildly premature, and Afghanistan today remains one of the world's most tortured nations. Much of the country's economy lies in ruins, millions of refugees remain displaced, perhaps as many as ten million mines litter the Afghan landscape, and civil war wracks Kabul and other portions of the country.

Optimism soared again a little over a year ago, with the fall of the Najibullah regime. Since then, however, the various factions of the Afghan resistance have turned on one another, with the result that brutal fighting continues. Not even a "peace accord," signed in Islamabad earlier this year, has stopped the bloodshed. The Subcommittee hopes that a broad-based representative government will soon emerge in Kabul that can restore some degree of tranquility to Afghanistan, create conditions that would make possible the return of the refugees, and work with the United States on issues of mutual concern.

The security situation in Kabul still appears too problematic to merit reopening the U.S. embassy. Once conditions become more stable, however, the Subcommittee would support sending an American ambassador back to Kabul.

Given the great U.S. interest in Afghanistan throughout the 1980s, the Subcommittee believes that the United States has a moral responsibility to provide assistance to the Afghan people as they attempt to rebuild their country. Members support the AID cross-border program of humanitarian assistance, which wisely focuses on agriculture, health, and education, as well as providing relief assistance and rural reconstruction. Although funding is extremely tight, the Subcommittee believes it is important that assistance levels for Afghanistan remain sufficient for the country's humanitarian needs and to keep the United States engaged as a key player. However, Subcommittee Members also note that various statutory restrictions, including counter-narcotics legislation, preclude direct bilateral assistance to Kabul.

Subcommittee Members are concerned by reports that U.S. assistance is being channeled through Afghan leaders and groups whose interests seem to have little in common with American interests, and whose values appear antithetical to American values. The Subcommittee urges

extreme caution on the Administration in this regard.

The Subcommittee believes that prudence requires fairly modest expectations about the ability of the United States to influence events in Afghanistan in the near future. Still, the U.S. has real interests in that country. In addition to its desire to see a stable democratic government installed in Kabul, and to prevent the current instability from spilling over into neighboring countries, the Subcommittee notes that Afghanistan is the second largest source, after Burma, of the heroin that has so devastated American cities in recent years. So long as conditions in Kabul and elsewhere around Afghanistan remain chaotic, it will be virtually impossible to attack the problems of poppy cultivation and heroin production and trafficking. Nonetheless, the Subcommittee will expect whatever faction ultimately gains the upper hand in the current power struggle to move far expeditiously and effectively against the drug traffickers and their Afghan allies.

U.S. ASSISTANCE TO SOUTH ASIA

WEDNESDAY, APRIL 28, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:32 p.m., in room 2200, Rayburn House Office Building, Washington, D.C., Hon. Gary L. Ackerman (chairman of the committee) presiding.

Mr. ACKERMAN. Good morning. The Subcommittee on Asia and the Pacific meets today to examine the administration's foreign assistance requests for the countries of South Asia for the fiscal years of 1994 and 1995. This is the first of several hearings we will hold over the next few weeks to explore with the administration its foreign aid plans.

Ever since the countries of South Asia began to gain their independence in the late 1940's, this region of the world has been the stepchild of American foreign policy. Whatever the merits of this stance in the past—and personally, I am dubious that it had many merits—such neglect is clearly no longer possible.

Stated simply, the United States can no longer afford to ignore South Asia. Better than one-quarter of the human race resides in this corner of the globe. The region is a major battleground in the ongoing struggle between democracy and autocracy, between secularism and religious fundamentalism, between the forces of the future and the dead hand of the past.

India, the largest country in the subcontinent and the largest democracy in the world, could serve as a microcosm for the problems and the potential of the entire region. In Delhi, the government has embarked upon a bold program of economic liberalization that, if successful, could lay the groundwork for a dramatic improvement in the standard of living enjoyed by the Indian people. Meanwhile, the Indian Government finds itself confronted with communal and religious strife, open insurgency in the North and Northeast, a tense border situation, a growing narcotics problem, and mounting concern about human rights abuses perpetrated by Indian security forces.

In neighboring Pakistan, the President has recently dismissed the Prime Minister, and Pakistan faces the prospect of its third national election in less than 5 years. Of course it is up to the Pakistani people themselves to determine who should form the next government. But the United States clearly has an abiding interest in the process by which that government is selected, and whether the Pakistani people are given an opportunity to work their will

through free and fair elections. This subcommittee will be following political developments in Pakistan closely in the weeks and months to come.

Other issues complicate our current relationship with Pakistan. At present, the Pressler Amendment precludes most forms of U.S. assistance to Pakistan, because of its nuclear program. I very much hope that our two countries can resolve their differences here, just as I hope that we can resolve similar concerns about India's nuclear program. The administration is also looking into the question of whether Pakistan should be placed on the terrorism list. I sincerely hope that this step can be avoided, and I call upon Pakistani authorities to take whatever steps are necessary to avert this calamity.

Moving further west, we find that the suffering of the people of Afghanistan persists, notwithstanding the hopes raised by the signing of a political settlement in Islamabad last month. Surely, no people has earned the admiration of Americans more than the courageous Afghans. This subcommittee is especially interested in ascertaining whether it can help to ease their burdens in any respect.

Other nations in the region, including Bangladesh, Nepal, Sri Lanka, Bhutan, and the Maldives, each present their problems and their challenges for American foreign policy. I expect we will touch on some of these today as well. Let me assure my friends in these countries that if we do not give you equal time with some of your neighbors today, it is not because we care less about you.

We are fortunate to have with us this afternoon a number of witnesses who bring a high level of experience and expertise to the consideration of these matters. But first, before the witnesses, I would like to ask our ranking member, Mr. Leach, for an opening statement.

Mr. LEACH. Mr. Chairman, before making a few comments, I would like, if I could, to defer to Mr. Burton of Indiana who, unfortunately, has another commitment. He would like to say a few words.

Mr. BURTON. I would like to thank my colleagues, Jim Leach and Chairman Ackerman, for allowing me, not as a member of the subcommittee, but as a member of the full Committee on Foreign Affairs, to make a few brief remarks.

Before I start, I would like to say that we have three people in the audience that I would like to thank for being here—Dr. Fai, the executive director of the Kashmiri American Counsel, and I would also like to mention that Mr. Abdul Ghani Lone is present in the audience. Mr. Lone is cofounder of the All American Freedom Conference in India-occupied Kashmir. He was the cabinet minister of education, health and tourism, and he was jailed more than nine times over there. He is here seeking a peaceful settlement of the issue of Kashmir. In addition to that, we have Dr. Rumetsing Alet, president of the Counsel of Kalastan, who has been an invaluable resource to me as far as the problems in India are concerned.

Mr. Chairman, since coming to Congress, I have been concerned with the issue of human rights, as many of us have. For years, I have encouraged officials in the State Department to make human rights a priority issue in formulating U.S. policy toward Asia.

While country-specific foreign aid requests have yet to be made by the administration, my sources indicate that the administration will ask Congress to appropriate about \$140 million in foreign aid to India.

Given the huge number of human rights violations being committed by the Indian Government against its people, I believe that sending India U.S. taxpayer dollars is uncalled for. Whether we are talking about repression against the people of Kashmir, Christians in Nagaland, the untouchables in India's cast system, or women, we, as a nation, cannot continue to ignore the fact that the Indian Government has a fundamental contempt for human rights.

In sure magnitude, it would be difficult to find another country where you have a greater number of political prisoners, innocent people shot in the streets by the military for expressing their beliefs, people dragged from their homes by police never to be seen again, and people tortured in prison. India rivals Communist China in these types of abuses.

Last year, I offered an amendment to the Foreign Aid Appropriations Bill to cut developmental aid to India. The cut equaled the administration's request for India for development assistance. I offered this amendment to send a message to India that we would no longer tolerate the human rights abuses being committed by Indian security forces. As you know, the amendment passed the House by a vote of 219 to 200. Unfortunately, this cut was not retained in the final foreign aid bill. If it was, perhaps we would not see the violence which is taking place in India today.

Mr. Chairman, I would like to submit for the record of this hearing, a recent article from the *Washington Post* which describes the police reaction against Muslims in Bombay during the January riots. As you know, these riots ensued after the destruction of a Muslim mosque by Hindu fundamentalists. According to the *Washington Post*, much of the violence against Muslims was directed by Shiv Sina, a fascist Hindu party which has about 30,000 sympathizers in the Bombay police force. It goes on to say that Shiv Sina used voting lists and census data to identify Muslim homes. In an interview with *Time Magazine*, the party's leader, Bo Thackery said, and I hope everybody will pay attention to this, Mr. Chairman—in an interview with *Time Magazine*, the party's leader, Bo Thackery, said that the mobs were under his control. Mr. Chairman, I hope you listen to this part. This is very important. He said he wanted to—

Mr. ACKERMAN. We are listening very carefully.

Mr. BURTON. Thank you. He said he wanted to teach Muslims a lesson and kick them out of Bombay, adding, "They have behaved like the Jews in Nazi Germany. If so, there is nothing wrong if they are treated like the Jews were in Nazi Germany."

That is an unthinkable statement for anybody.

[The article from the *Washington Post* appears in the appendix.]

Mr. BURTON. I would also like to submit an article from the *New York Times* which describes the killing of more than 125 Kashmiris by Indian police in Kashmir within the last week. In one incident, four young men were shot in an alley by Indian police. The official account of what happened describes the incident as an encounter.

In Indian lexicon, this means the young men resisted arrest and were shot dead in the process.

However, this account differed greatly from that of another Indian security officer who said there was no encounter at all. He said, "They were taken from their home into the alley and killed." He added, "If we have word of a hard core militant, we will pick them up, take them to another lane, and kill him, and then, take him to the police control room where we release the body." If this incident had happened in China, El Salvador, or Lithuania, the Congress, the American public, and probably, the administration, would react in outrage. Because it happened in India, it is no less important.

There is one world standard for human rights, and it should be applied equally to every country in the world. Therefore, I would urge our State Department to end U.S. foreign aid to India. The time for quiet diplomacy and sense of the Congress resolution has long since passed.

[The article from the *New York Times* appears in the appendix.]

And so, I have one question, and I would like to ask this of the record, Mr. Chairman, because I do have to leave, and I appreciate very much you allowing me to make my statement. This is for Mr. Malott. How much will the administration request for Indian fiscal year 1994, and how can we justify this kind of aid in light of these human rights violations that I just talked about?

[The information appears in the appendix.]

Mr. Chairman, I want to thank you and Mr. Leach for allowing me to participate in this hearing.

Thank you very much.

Mr. ACKERMAN. Thank you very much. Mr. Leach?

Mr. LEACH. Mr. Chairman, I have a lengthy statement I would like your permission to put it in the record.

Mr. ACKERMAN. Without objection, your statement is in the record.

[The prepared statement of Mr. Leach follows:]

STATEMENT OF HON. JAMES A. LEACH

Thank you, Mr. Chairman. On behalf of the minority, let me also extend a welcome to our distinguished panel of witnesses.

With all due respect to our administration witnesses, I have the impression that South Asia has been given unfortunate short shrift by the American foreign policy establishment.

In strategic terms, the rationale for our strategic partnership with Pakistan—recently under strain due to Islamabad's nuclear weapons program and disturbing allegations of support for terrorist groups—has been undermined partly by Moscow's withdrawal from Afghanistan and the collapse of the Soviet Bloc. And while relations have warmed between democratic India and the United States, no one in Washington is seriously contemplating a strategic entente with Delhi at the present time.

This having been said, it strikes me that U.S. interests in promoting nonproliferation and regional stability, economic reform, democratic values and human rights, population planning, and humane treatment of refugees warrants placing South Asia higher on the American foreign policy agenda.

Geo-economically, if the Subcontinent remains committed to free market reforms, America's potential economic interests in South Asia could grow exponentially. In Delhi, the recent budget announced by the Government of India extends a far-reaching program of economic reform which has the potential to radically transform the South Asian economic landscape. India could well be a far more important economic player at the turn of the century than the former Soviet Union and Eastern Europe.

In general, the economic opportunities for American business in South Asia appear brighter than ever before.

More troublesome are the persistent and credible allegations of serious violations of fundamental human rights throughout the region, particularly in the disputed territory of Kashmir. Most worrisome of all is the proliferation of weapons of mass destruction and their means of delivery in a context of Indo-Pakistani regional tension.

With regard to human rights, this Congress has an obligation to reflect common-sense American concerns to the world. Yet this body would be wise to proceed with care and sensitivity.

For example, a heavy-handed sanctions approach to promoting human rights concerns in India could well be counterproductive. On the other hand, it is self-evidently in the self-interest of the Government of India to shift gears and pursue a humanitarian approach in Kashmir, to allow credible international human rights organizations like the International Committee of the Red Cross and others unrestricted official access to disturbed areas, and to ensure that any internal Human Rights Commission that is created enjoys the confidence of Indian's numerous and vocal human rights advocacy groups.

Turning briefly to Sri Lanka, despite remaining problems in the Tamil majority Northeast and last Friday's very troubling assassination of a prominent opposition politician, it is impressive how far the Government has moved over the last year to begin to take good faith steps to curb abuses by its security forces.

In terms of the peaceful resolution of Indo-Pakistani conflict and progress on non-proliferation issues, the short to near term outlook is not promising. This is most unfortunate. Having fought three wars in less than a half a century, regional tensions between India and Pakistan could easily escalate out of control, including a nuclear exchange, with disastrous consequences for both countries and the international nonproliferation regime.

But regular tension reduction and confidence building talks between the Indian and Pakistani Foreign and Defense Secretaries have been suspended. Without tension reduction and a bilateral resolution of the Kashmir issue—and here any viable approach will need to take into account the views of Kashmiris—Pakistan will likely continue to develop its weapons of mass destruction and missile delivery systems. For its part, India has shown no interest in bilateral discussions on nonproliferation with Pakistan, asserting that its nuclear capabilities have deterrent value against China, and has likewise rejected a five-power regional approach. Meanwhile, bilateral discussions with the U.S. are continuing.

My sense is that only a comprehensive multilateral approach—involving global nonproliferation initiatives like U.S. support for a CTB, regional initiatives, and bilateral negotiations between India and Pakistan—is likely to prove successful in helping to curb and if possible reverse the South Asian arms race. But effective multilateral action is dependent on a catalyzer, and America is uniquely positioned to help play that role.

In this context, I look forward to working with the Chairman and the administration on the proliferation issue as well as others in the weeks and months ahead. Thank you, Mr. Chairman.

Mr. LEACH. Let me just say, these are very sensitive issues and very sensitive times. It is my view that, unfortunately, many of the issues in the subcontinent have been kind of given short shrift by American policymakers. Some of them are very profound within countries. Some of them are very profound between countries.

There are also overlays of positive things occurring as well. Many of us are impressed that Ceylon or Sri Lanka is no longer living with as much violence as it was a few years ago, although human rights concerns persist.

Many of us are impressed with the new economic doctrine that seems to be taking hold within India. At the same time, we are very alarmed with some of the human rights abuses that are occurring in all countries of the region. I think it is important that we hear from the administration and outside witnesses on these and other issues confronting U.S. policy in South Asia.

Thank you very much, Mr. Chairman.

Mr. ACKERMAN. Thank you very much. You can be assured we will be, as a committee, giving this much more attention than we have in the past.

We are also joined by Dana Rohrabacher, our colleague from California. Do you have a statement?

Mr. ROHRBACHER. Very short. This is my first meeting with you and the rest of the committee members. I am looking forward to working with you in overseeing American policy in this important area of the world. To some degree, it is a forgotten corner of the world for many Americans. But, I believe the United States has to stand for freedom, and human rights, and decency. A lot of people in these countries are depending on us to make sure that we speak out with a strong voice on these issues that Congressman Burton was just referring to.

So, I am very pleased to be here. I, perhaps, am the only Member of Congress that—well, I guess Charlie Wilson was also in Afghanistan—but, 4 years ago, I hiked into Afghanistan with Mujahideen, and spent some time there during the siege of Jalalabad, and got to know these individuals as being very heroic people.

I just hope that we will use our influence now in the subcontinent, in Afghanistan, in India, Pakistan, and in this vast stretch and accumulation of mankind, that we will use our influence as Americans to try and bring peace between the people who now find themselves in conflict, and try to promote freedom where people now find themselves under the heel of tyrants.

Thank you very much, Mr. Chairman.

Mr. ACKERMAN. Thank you very much. We welcome you to the committee, and we look forward to your full participation. One thing, for sure, you undoubtedly will hear strong voices from this committee.

Our first panel consists of John Malott, the Deputy Assistant Secretary of State; George Laudato, the Acting Assistant AID Administrator; and Fred Smith, the Acting Assistant Secretary of Defense. Welcome to the entire panel on behalf of the committee. Mr. Malott, why do we not start with you?

STATEMENT OF JOHN R. MALOTT, PRINCIPAL DEPUTY ASSISTANT SECRETARY, DEPARTMENT OF STATE, SOUTH ASIAN AFFAIRS.

Mr. MALOTT. Thank you, Mr. Chairman.

Mr. Chairman, members of the subcommittee, I am very pleased to appear before you today to discuss the Clinton administration's policy toward South Asia. On behalf of the Department of State's new Bureau of South Asian Affairs, I look forward to a close and cooperative relationship with you, Mr. Chairman, and the members and staff of this subcommittee, as we work together to achieve the interests of the United States in a region of the world that encompasses one-fourth of humanity.

I have a prepared statement for the record, Mr. Chairman, which I would like to summarize here.

Mr. ACKERMAN. Without objection, your entire statement is in the record, and you may proceed as you wish.

Mr. MALOTT. Thank you, Mr. Chairman. Our key post-cold war concerns of encouraging regional stability and nonproliferation,

promoting democracy and respect for human rights, encouraging economic reform and obtaining greater access for U.S. trade and investment, countering terrorism and narcotics, preserving unhampered maritime and naval transit rights for our forces, and addressing global issues such as population growth, AIDS, refugees, and the environment, all come to play in South Asia.

South Asia is undergoing profound transformation. The Soviet collapse has altered significantly America's relations with the key players in the region, Pakistan and India. The failure of socialism has prompted governments to initiate market-based economic reforms and liberalize foreign investment. The fall of Communist rule in Afghanistan has brought political instability and major humanitarian needs that now spread into Central Asia.

With the end of the cold war, U.S. influence in South Asia is considerable. Events already have shown that our involvement can make a difference, despite our minimal aid, trade and investment, and military links with the region. Nevertheless, the issues we face in South Asia are not America's alone to resolve. Where appropriate, we will work with like-minded countries and international organizations. Nongovernmental organizations and U.S. business also can help accomplish our common objectives. But, above all, it requires the effort of the peoples of the region, and their leaders, to effect real change.

Our primary interest in South is to prevent war, which, in the case of India and Pakistan, could lead to the employment of nuclear weapons. To address this problem, we are pursuing a comprehensive, incremental, and long-term approach that seeks: one, to cap, then reduce over time, and finally, eliminate weapons of mass destruction and their means of delivery from the region; two, to deal with the underlying security concerns that drive the weapons programs in each country and to help create a climate in which each country's sense of security is enhanced through tension reduction, confidence-building measures, and a process of arms control; and three, to encourage direct high-level Indo-Pakistani discussions on regional security and nonproliferation; to supplement that with our own bilateral discussions with both countries; to encourage other countries to do likewise; and to work toward broader regional discussions. Today, President Clinton has sent to the Congress a report on U.S. efforts to promote regional stability and nonproliferation in South Asia, which describes our approach in greater detail.

We continue to advocate Indian and Pakistani adherence to the Nonproliferation Treaty, but our efforts now focus also on trying to achieve more immediate goals. Our goals of reducing tensions, increasing regional stability, and promoting nonproliferation, are closely intertwined. Our ability to achieve these goals with India and Pakistan requires that we pursue an even-handed approach. The two countries must deal seriously with the issues that divide them, and we are prepared to be helpful if our involvement is acceptable to both sides.

We recognize that the Kashmir dispute is a major source of Indo-Pakistani tensions. A military standoff continues along the line of control in Kashmir. In addition, militants have launched an insurgency in Jammu and Kashmir, and are resorting to terrorist at-

tacks. Indian security forces commit human rights abuses, and the political dialogue between Kashmiris and the Indian Government is stalled. We believe that outside support for the militants and the cycle of violence between the militants and government security forces must end. India should safeguard human rights fully, grant genuine access to Kashmir for international human rights groups, and pursue a meaningful political dialogue with the Kashmiris.

In economics, the socialist development policies of South Asian countries have been discredited, giving new impetus to economic reform. If successful, these reforms will offer great benefit to the people of the region, as well as to American business. We will encourage South Asian countries to spend less on defense and more on economic and social development, to reduce their over-reliance on official assistance, and to rely increasingly on private investment. More efficient use of donor assistance and streamlined foreign investment regimes are imperative.

The Clinton administration's foreign policy recognizes the growing importance of global issues, such as terrorism, democracy and human rights, narcotics, population planning, the environment, and refugees. The end of the cold war presents the United States with an unprecedented opportunity to promote democratic values and encourage greater respect for human rights in South Asia.

Narcotics control is a priority because South Asia supplies 20 percent of the U.S. heroine market. Our primary concerns in the region are poppy cultivation in Afghanistan and Pakistan, the operation of heroin laboratories in Pakistan, and the illicit diversion of opium produced in India.

The need for effective population planning is especially acute, as the subcontinent's 1.3 billion people comprise nearly one-fourth of the world's population, with a greater number of poor people than live in all of sub-Saharan Africa.

At current rates of infection, the AIDS epidemic in South Asia threatens to become one of the largest in the world. In South Asia, however, there still is an opportunity to intervene to prevent the rapid spread of this disease.

The nations of South Asia also must balance the imperative of economic growth with effective environmental safeguards.

Finally, there are nearly 3 million refugees in South Asia. As the largest donor to the United Nations High Commission for Refugees, the United States plays a major role in promoting the refugees' safety and well-being.

Two countries, Afghanistan and Sri Lanka, confront particular problems that require special mention.

In Afghanistan, the United States has four key goals: to promote internal stability; to prevent the civil conflict there from spilling into neighboring countries; to provide humanitarian and development assistance; and to counter narcotics production. Our ability to pursue this agenda is hampered by the absence of an effective central authority, the lack of sufficient security to permit reopening our Embassy in Kabul, budgetary constraints, and diminished international interest in Afghanistan. As long as Afghanistan's leaders refuse to make the compromises that would provide the foundation for a stable political order, no outside party can help bring peace to Afghanistan or aid in its reconstruction.

In Sri Lanka, the improvement in human rights practices by the Sri Lankan military and the resettlement of refugees are continuing concerns of the United States. But beyond that, the military situation is stalemated, and we believe that the Sri Lankan conflict can only be resolved through a political dialogue between the government and the Liberation Tigers of Tamil Eelam (LTTE). The people of Sri Lanka have suffered long enough. It is time for both sides to begin the movement toward a political solution.

In conclusion, Mr. Chairman, the Clinton administration views South Asia as a region offering significant challenges and opportunities for the United States in the post-cold war world.

Thank you.

[The prepared statement of Mr. Malott appears in the appendix.]

Mr. ACKERMAN. Thank you very much. Mr. Laudato.

Mr. LAUDATO. Thank you very much, Mr. Chairman.

STATEMENT OF GEORGE A. LAUDATO, ACTING ASSISTANT ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LAUDATO. Mr. Chairman, members of the subcommittee, it is a pleasure to be able to appear here today to talk with you about the role of U.S. economic assistance in South Asia. I have submitted testimony for the record, and would like to make a few brief comments about South Asia as a preface to our later discussion.

Mr. ACKERMAN. Your full testimony will be placed in the record. You may read your summary.

Mr. LAUDATO. Thank you. For more than 40 years, AID and its predecessor agencies have supported major development programs in the countries of South Asia. These countries represent extremes in their economic environment. Enormous economic potential with massive and grinding poverty exist side by side.

But while poverty still remains a reality in South Asia, consistent attention to many of the region's most severe development problems has led to meeting some of the most critical challenges. The United States, through our bilateral aid efforts, through our support for strong multilateral programs, and through our emphasis on multidonor coordination, has contributed to solving many of the problems that have beset the region. We must note, though, that no progress would have been possible without the will and active commitment of the six countries of the region.

What has been accomplished with the help of the United States in our AID program? Let me provide some examples. In 1972, when Bangladesh came into being, no one believed that Bangladesh would ever be able to control its population growth rate. Since 1974, with AID and other donor help, there has been a 600 percent increase in couples who practice family planning. The program in Bangladesh has become a model of modern family planning programming throughout the region.

In war torn Afghanistan, even as the fighting raged between the Mujahideen and the Nadjibullah program, over 1,600 small irrigation systems were built or rehabilitated for small farmers throughout the rural areas.

In Sri Lanka, the government has put in place policies in recent years which recognize land tenure and water use rights for thousands of small farmers.

AID helped the people of India escape the specter of famine when working with the government. The green revolution in wheat was introduced in the 1960's, making India self-sufficient in wheat for the first time in its history.

In Pakistan, support for basic education paid off as the enrollment of young girls in primary schools rose by more than 50 percent in the provinces where this program was active.

And finally, in Nepal, after working with the Government of Nepal and the people of Nepal for more than 42 years, AID was able to help Nepal as it moved from a political system dominated by a king and a small aristocracy, to a multiparty democracy. The impact of this historic change reverberates throughout the region.

These are just a few examples of what has been accomplished in South Asia. There are more, and I'd be happy to discuss each of these countries, the history of their involvement with U.S. assistance, their current programs, and any other issues that exist.

Thank you.

[The prepared statement of Mr. Laudato appears in the appendix.]

Mr. ACKERMAN. Thank you, Mr. Laudato. Mr. Smith.

**STATEMENT OF FREDERICK C. SMITH, ACTING DEPUTY
ASSISTANT SECRETARY, DEPARTMENT OF DEFENSE**

Mr. SMITH. Mr. Chairman, members of the subcommittee, it is a pleasure to appear before you today representing the Department of Defense. I would like to submit my statement for the record and just make a few brief remarks.

Mr. ACKERMAN. Without objection, your statement is in the record.

Mr. SMITH. Thank you. Our national security interest in South Asia dovetails those already articulated by Mr. Malott—preventing war and the spread of weapons of mass destruction and their means of delivery, preserving unhampered air and maritime access through the region, and enhancing professional military-to-military relationships with friendly nations.

The resources available to the Department of Defense to achieve these goals are limited. Since the suspension of security assistance to Pakistan in fiscal year 1991 under the provisions of the Pressler Amendment, all government sales and transfers of military equipment and technology to Pakistan were suspended. There is no Foreign Military Financing allocated to any country in South Asia for fiscal year 1993.

In fiscal year 1994, the administration is proposing a new recipient for grant Foreign Military Financing, Bangladesh, in the amount of \$500,000. Funds requested for Bangladesh would be used for spare parts and maintenance of relief equipment that we donated to that disaster prone country in the wake of the 1991 cyclone and Operation Sea Angel. We do not anticipate any significant American arms sales to South Asia next year, whether through the Foreign Military Sales Program or direct commercial orders.

The International Military Education and Training Program, IMET, is our foremost means of achieving our goals and promoting democratic processes and institutions, greater respect for human rights, and improved military-to-military relations. Recipients of IMET include Bangladesh, India, the Maldives, Nepal and Sri Lanka. Pakistan, of course, has not been permitted to participate in the program since 1991.

In the absence of greater security assistance resources for South Asia, which the administration is not seeking, the Department of Defense has had to rely more than ever on a variety of less formal, more *ad hoc*, approaches, such as visits to the United States by high level South Asian military leaders and to South Asian countries by senior U.S. military leaders. These visits occur on a frequent basis.

South Asian military officers are routinely represented in the student bodies of the National Defense University and the service war colleges, and our officers attend their schools. A total of six students from South Asia are enrolled as cadets and midshipmen at the U.S. Air Force and Naval Academies.

Our military exercise program in South Asia is still modest, but it has grown substantially. We have also encouraged regional states to participate in United Nations peacekeeping operations and have been able to provide modest support for them for these purposes. In particular, I would like to acknowledge the tremendous efforts of Pakistan, India, Nepal and Bangladesh. The exposure to our U.S. participants and those of other countries further supports U.S. objectives in South Asia.

For several years, we have supported a U.S.-Indian Strategic Symposium which alternates between the two countries and provides a semiofficial forum for the exchange of ideas among government officials, retired officers, academics and diplomats. We have been extremely pleased with the results and hope to institute similar structures elsewhere.

In closing, Mr. Chairman, I would like to say a few words about the recent change of government in Islamabad. Unfortunately, Pakistan's history would normally lead one to assume that another military coup took place. That would be an absolutely false assumption about the dismissal of Nawaz Sharif's government on April 18.

The political contest between the President and Prime Minister did not involve the Army in any way beyond routine security duties in the capital. Indeed, the Chief of Army Staff, General Wahid, was scheduled to come to the United States on an official visit and was asked, just before the dismissal of the assembly, to cancel by both the President of Pakistan and the Prime Minister. When asked about the constitutionality of the President's action, General Wahid replied that this was a matter for the courts, not the military.

An official Pakistan Army statement later said that the country's armed forces are not for or against individuals. They stand for institutions. We, at the Department of Defense, are confident that the military has neither the intention, nor the desire, to intervene in the current political situation.

Thank you.

[The prepared statement of Mr. Smith appears in the appendix.]

Mr. ACKERMAN. Thank you very much. I thank the entire panel. Usually, at this time, we would have some numbers in front of us, as a request for aid for this region. Could you give us an indication why we do not and when we might expect to see that?

Mr. MALOTT. I will ask Mr. Laudato to answer, please.

Mr. LAUDATO. Mr. Chairman, as you noted, we do not have our development assistance numbers at this time. They have not been developed by country, which is the way we traditionally present them. I expect they will be available shortly, and would suspect that shortly after the confirmation of the new administrator, the numbers would be coming up to the Hill. I would hope that within a week to 2 weeks, they will be here.

Mr. ACKERMAN. When you say that you do not have them yet by country, is "by country" the operative term? Do you have them for the region? Or has it just not been developed yet?

Mr. LAUDATO. We have not developed them. We have some aggregate numbers for all of Asia, which would be everything from the South Pacific through Afghanistan, but we have not broken them out yet.

Mr. ACKERMAN. Would you be able to give us that number today?

Mr. LAUDATO. I do not have that number with me. I am sorry. I could provide it, though.

Mr. ACKERMAN. I would appreciate your providing us with at least that.

Mr. LAUDATO. Certainly.

Mr. ACKERMAN. Are we to expect any major surprises, or changes, or shifts?

Mr. LAUDATO. I do not believe that there will be major changes or shifts in the numbers for South Asia.

Mr. ACKERMAN. Mr. Malott, you spoke about an evenhandedness in your statement. Could you tell us basically what you mean by that? Will we see the repeal of the Pressler Amendment for Pakistan, or would we see a similar type of action vis-a-vis India?

Mr. MALOTT. In the past, in South Asia, the word tilt has often come into play, whether there was a pro-India tilt, or a pro-Pakistan tilt, in American foreign policy. By using the expression "evenhanded", what we are trying to say is that we reject the concept of a tilt in either direction, and that, to the extent possible, we will try to approach the two countries in a fair, balanced, and evenhanded manner.

We realize that this is not always possible. First of all, because, in the first instance, certain parts of U.S. legislation affect the two countries differently. There is human rights legislation on the books. There is narcotics legislation on the books that could come into play, for example, with any country in the world. The Pressler Amendment affects Pakistan specifically.

So, in the first instance, we realize it is not perfectly possible to be evenhanded between the two. But, to the extent that we can within our laws, we will try to do so. Also, the countries, themselves, can take actions that work either for or against our interests as well. But, again, this is an approach to the region that we would like to pursue. We think that our ability to achieve regional stability, to prevent war, requires us to be as fair and as evenhanded as we can.

As far as Pressler is concerned, at the present time, the administration has not taken any position. There has been no internal decision at all with respect to Pressler, other than the statement that it is the law of the land today, and we intend to pursue the Pressler Amendment.

Mr. ACKERMAN. I am sorry. You said that there was no decision taken on the Pressler Amendment, at the beginning of your statement, and at the end, you said, "We intend to pursue the Pressler Amendment."

Mr. MALOTT. In the sense that it is a law.

Mr. ACKERMAN. It would sound that a decision was made to keep the Pressler Amendment.

Mr. MALOTT. No. My point is that simply there has been no discussion within the administration about changing the Pressler Amendment. And, therefore, it is, as of today, the law of the land. As long as it is the law of the land, we will pursue it.

Mr. ACKERMAN. It is still a bit fuzzy to me. When you say there has been no discussion in the administration, does that mean that it is assumed by all that that is going to continue to be our policy?

Mr. MALOTT. We always discuss the Pressler Amendment. I should clarify the difference between a discussion of the operations of the Pressler Amendment, the impact that it has on the conduct of our relationship with Pakistan, the impact that the Pressler Amendment has in our ability to pursue an evenhanded approach. This is something that those of us who deal with Pakistan on a daily basis encounter all day long because the Pressler Amendment is there.

My point is that there has been no decision made within the administration. There has been no formal discussion about whether or not to seek any amendment of the Pressler Amendment. Therefore, it is still on the books. We will still carry forward with the Pressler Amendment until such time as someone would make a proposal, whether it comes from the Congress or the administration, to amend it. But, as of today, we are not advocating the amendment.

Mr. ACKERMAN. You are looking to react to our proposals, are you?

Mr. MALOTT. It could come either way. I am not saying that it will be. There are many laws on the books, Mr. Chairman, on which the administration has not taken any position whether it will seek amendment. The Pressler Amendment is one of those many provisions of American law on which we have not taken any position on whether to amend it. I am simply saying that it is the law of the land, and, as of today, we will pursue it.

Mr. ACKERMAN. Let me utilize you being here as a resource. In your opinion, is the Pressler Amendment useful?

Mr. MALOTT. It is a very difficult thing because one cannot examine Pressler today without going back to its origins in 1985. Pressler, in effect, was a bargain between the United States and Pakistan, which allowed us to provide military and economic assistance to Pakistan, in effect, rather substantial amounts of military and economic assistance to Pakistan, as long as Pakistan did not cross a certain nuclear threshold.

Many people in Pakistan appreciated the Pressler Amendment in 1985 because it allowed this assistance to go forward. In 1990, Pakistan took certain actions on its own in which it crossed a certain nuclear threshold. Then, President Bush was no longer able to certify that Pakistan did not possess a nuclear explosive device. The Pressler Amendment kicked in as a form of sanction.

That is where we are today. Our relationship with Pakistan is affected because of the actions that Pakistan took in 1990. It was a deterrent. It failed, and Pakistan, and our relationship with Pakistan, are paying the price of that.

To seek any change, I should add, I think one would have to demonstrate, for anyone who would want to propose a change in Pressler, there would have to be a clear demonstration that that proposal, that proposed change, would not contribute to any lessening of our nonproliferation policy, would not contribute to a belief in Pakistan that the nuclear policies that they are pursuing are acceptable. That really is the dilemma of Pressler because today there are many things that we cannot do with Pakistan. The dilemma is that, if you try to change it, you have the possibility that some people could believe that nonproliferation no longer matters when, in fact, it matters to us. That really is the dilemma that we have with Pressler today.

Mr. ACKERMAN. I do not mean to press you on this issue, but let me just try to understand what you have shared with us. Is it basically, when in doubt, maintain the status quo?

Mr. MALOTT. If I could just, again, go back, I realize, but I would simply say, Mr. Chairman, there are many laws on the books of the United States on which the Clinton administration has not taken a position that it wishes to change them, abolish them, amend them. The Pressler Amendment is one of those legal provisions on which the Clinton administration has not taken any position about whether or not it seeks to change it. Therefore, as of today, it is the law of the land. We will continue to pursue it.

The second point I made is, that if anyone were to suggest that Pressler should be changed, I think the burden of proof is on those who make that proposal to indicate how this would enhance or maintain our ability to pursue our nonproliferation objectives with Pakistan and in the subcontinent.

Mr. ACKERMAN. If we opt to maintain the status quo, vis-a-vis the Pressler Amendment, what does that imply as far as our policy with India? Do we look to have some applicable application or some other mechanism?

Mr. MALOTT. The major difference between what we are able to do with India and what we were able to do with Pakistan today is that we are able to provide economic assistance, development assistance, directly to the Government of India, and we are able to provide IMET training for Indian military forces. That is the primary difference between what we are able to do today between India and Pakistan.

With Pakistan, the Congress did put a provision in the Foreign Operations Bill last fall that allows the option of providing development assistance to Pakistan through nongovernmental organizations. There also was a one time exception by which we could provide, and we are, in fact, providing PL 480 assistance to Pakistan

this year. There still is an aid pipeline to Pakistan which is at least, I think, \$250 million worth of U.S. aid that is still in the pipeline going to Pakistan.

So, the basic difference between what we are able to do with India, and what we cannot do with Pakistan under the Pressler Amendment, is we cannot give Pakistan IMET assistance, and we cannot provide development assistance directly to the Government of Pakistan. We do not provide foreign military assistance to India at all other than the IMET training.

Mr. ACKERMAN. Would the administration look favorably or unfavorably on some kind of a mechanism that would restrict any kind of assistance to India based on any type of a formula, similar or not?

Mr. MALOTT. No, Mr. Chairman, we would not, because we believe that the assistance that we are seeking for India is important. It goes to some of the poorest of the poor in that country. To impose the same conditions on our economic assistance to India that we have under the Pressler Amendment to Pakistan is, in effect, to punish some of the poorest people in India for policies of their government for which they are not responsible.

Again, as I stated earlier, the Pressler Amendment was, in effect, a bargain with Pakistan. Pakistan took the actions. If I were an Indian, I would say, why should I, India, pay the price for Pakistan's actions?

Mr. ACKERMAN. Let me just switch momentarily from Pressler. Does the Administrative support the conducting of a plebiscite in Kashmir? Why or why not?

Mr. MALOTT. I think this is another question where you are going to be a little bit confused, probably, by the time I get to the end. Mr. Ackerman, should we go on to a different question? [Laughter.]

Mr. MALOTT. It was your predecessor, I believe, who put someone in this very seat on the spot in 1990, and after continued grilling—

Mr. ACKERMAN. Perish the thought.

Mr. MALOTT. Yes, perish the thought. He said something which today is still cited in both India and Pakistan as a major change in U.S. policy. The interpretation of what then Assistant Secretary Kelly said was that the U.S. Government no longer believed that a plebiscite was necessary in South Asia.

The reality is that after that statement, we asked the Office of the Historian at the State Department to go back and do a survey of U.S. public statements, and we found out that, basically, after the Indo-Pakistani War in 1965, the U.S. Government had not really mentioned a plebiscite one way or another since 1965 until Mr. Solarz asked that question. We simply had not taken a position one way or another. It was something that was put on the back shelf, and we never addressed the issue.

I would state that our current policy is that any solution to the Kashmir problem must take into account the views of the Kashmiri people themselves, both Muslim and non-Muslim. We have not specified how one does that. I would say today that we are neither accepting nor rejecting a plebiscite. I just don't think it would be useful to take one part of this rather complex Kashmir equation

and pull it out, and then, say, "Does the administration support or not support this one specific point?"

Let me say that we believe that any solution has to take the views of the Kashmiri people into account. That is the goal. I would not want today to be put in a public position of trying to specify the process by which that would be done. If I learned one thing about Kashmir, Mr. Chairman, it is that it is a zero sum situation, and anything that we say will immediately produce a reaction either from India, or from Pakistan, or from those Kashmiris who are seeking independence. In such a situation, I think that for the United States, the most valuable role that we can sometimes play is to remain silent on a number of these issues.

Mr. ACKERMAN. Do we remain silent vis-a-vis the U.N.'s position on the plebiscite?

Mr. MALOTT. The U.N. resolutions, I believe, date back to 1948. I would have to go back and have someone do the research to find out whether the United Nations has ever had any resolutions since that time on the situation in Kashmir. Those very same resolutions from 1948—the plebiscite was not the only thing that was mentioned there. It also called for a complete withdrawal of Pakistani forces from Kashmir. That has not taken place, either. There is an international line of control, and there are Indian forces on one side and there are Pakistani forces on the other. So, the plebiscite was simply one part of a resolution that was passed by the United Nations in 1948.

Mr. ACKERMAN. Perhaps we can suggest a sunset provision to the U.N. on its resolutions. Mr. Leach.

Mr. LEACH. Let me try to suggest a few words for you, John. I think it would be better to say, when in doubt, the U.S. Department of State intends to follow the law. Is that fair?

Mr. MALOTT. That would be very fair. Thank you.

Mr. LEACH. Where there are quibbles, the United States of America is against genocide. Is that fair?

Mr. MALOTT. Yes, sir.

Mr. LEACH. For democracy.

Mr. MALOTT. Yes, sir.

Mr. LEACH. For human rights.

Mr. MALOTT. Yes, sir.

Mr. LEACH. For self-determination.

Mr. MALOTT. Yes, it is for self-determination, but I would not want to get into a semantic argument here about what constitutes self-determination. I would ask my colleagues from the European Bureau who are facing this problem every day.

Mr. LEACH. I understand thoroughly. But, even though one likes to govern one's own future, and I personally think that it is always a little dubious for Congress to tell an administration how to organize, but the law of the United States says that there shall be a South Asian Bureau in the Department of State. Now, I take it the Clinton administration shall follow the law?

Mr. MALOTT. Yes, sir. In fact, there is a South Asian Bureau. I am the interim director of that Bureau. It has existed since last August.

Mr. LEACH. Fair enough. And is the administration going to nominate an Assistant Secretary formally?

Mr. MALOTT. Yes, it will. I understand there should be an announcement coming out in the near future.

Mr. LEACH. Good. With regard to the issue of proliferation, and maybe I ought to address this to Mr. Smith, many experts in the region have suggested that there is a tie in between a relaxation in tension or an accommodation on various issues related to Kashmir with the whole issue of nuclear development. There also are various approaches to the nuclear issue. I have been one that has always been a little skeptical about the United States suggesting and pressing that this be dealt with exclusively in a South Asian context. It has always struck me that the greatest chance of restraint is a multilateral regime, particularly a comprehensive test ban, which some of the parties, from time to time, have suggested that they can support if all countries of the world support it. That would then become a basis for their participation in the Non-proliferation Treaty.

So, that brings me to the issue of testing. Can the United States, itself, afford to continue a policy of testing, therefore, taking pressure off a comprehensive test ban in a very dicey time period, not only in South Asia, but Northeast Asia. How seriously does the Department of Defense have this problem under review?

Mr. SMITH. Mr. Leach, let me take that question for the record, because I do not want to say anything which might misrepresent the Department's views. It is not my specific area of responsibility. So, I would feel much more comfortable if I could get you the correct answer.

Mr. LEACH. I appreciate that, but let me just stress how seriously I regard this issue.

Mr. SMITH. I understand.

[The information submitted by Mr. Smith follows:]

President Clinton has indicated that the United States has the goal of pursuing a verifiable, multilateral comprehensive test ban (CTB) treaty. At the Vancouver summit, he and President Yeltsin agree that "negotiations on a multilateral nuclear test ban should commence at an early date, and that the two governments would consult with each other accordingly."

President Clinton supports the compromise on nuclear testing contained in Public Law 102-377 and a phased approach for achieving a genuine CTB. We are studying how best to pursue the important goal of a CTB, taking into account options for a forum and modalities for negotiation, the testing activities of other nations, the number and schedule of underground nuclear tests required for safety, security and reliability of U.S. nuclear weapons, and an appropriate program of safeguards to maintain the physics competence of the nuclear weapon community. The President will submit a report pursuant to Section 507 of Public Law 102-377 as soon as this review is complete.

The President expects to receive recommendations from the appropriate departments in the next few weeks. He recently announced that "we will be starting a consultative process within the next 2 months with Russia, our allies and other states aimed at commencing negotiations toward a multilateral nuclear test ban." Once consultations are complete, we will be in a position to make a proposal on a specific place and time for the negotiations to get started.

Mr. LEACH. For a number of years in this subcommittee I have raised the issue of a test ban not only in the abstract, but I have also suggested that there are regional implications of the test ban that are far beyond some sort of abstract international context. Those who are responsible for policy in those parts of the world ought to raise those concerns in a more general administration policy development context, if they concur in the implications of it for

their regions. I raise this as seriously as I can because, in my view, those people associated with South Asian concerns ought to be very concerned with the development of American and world policy for a test ban.

We do have a review conference coming up in 1996, but, more importantly, we have this issue itself. Now, I, personally, at one point, asked Rajiv Gandhi, could he support a comprehensive test ban, to which he responded, definitively, "Yes." I think that is a very interesting statement. Whether that is the position of the Government of India, I do not know. The implication is that the testing countries of a larger size have to comply as well. So, it is very awkward that we are, as a noncomplier, helping to contribute to an international environment which makes testing more legitimate. It would be my view that this government, of all governments in the world, ought to be leading the cutting edge of delegitimizing these weapons.

Now, I do not necessarily assume that a comprehensive approach is the only approach. But, given the reluctance of the parties to deal on an individual nature, one on one, or even in a five power context, in fact, given the articulation coming from Delhi that Iran and Israel have to be involved in such discussions, which imply that it is very difficult to arrive at such discussions, it leaves one pretty obvious conclusion—that you have to have general international law dealing with the subject if you expect the parties to be obligated to it.

So, I would just hope that the South Asia Bureau would make its views known on an issue that is generally not considered in that regional context. Is that fair for all? Do you have a view on that, Mr. Malott?

Mr. MALOTT. I would add, Mr. Leach, that you mentioned the position of Rajiv Gandhi. It is my understanding that the Government of India, even today, would be willing to adhere to a comprehensive test ban treaty, provided that it was universal, and did not discriminate between weapon and nonweapon states. The Indian Government's position on disarmament and nuclear matters has always been that it is willing to adhere to any universal and nondiscriminatory regime. In fact, they are a member of a number of such treaties, such as the treaty banning weapons from outer space, from Antarctica, the Limited Test Ban Treaty.

Mr. LEACH. I have no further questions.

Mr. ACKERMAN. Dana.

Mr. ROHRBACHER. Thank you very much, Mr. Chairman. I will be brief. Mr., is it Malott?

Mr. MALOTT. Malott.

Mr. ROHRBACHER. Mr. Malott, when you sent your researcher back to check up back in 1948 whether or not we had agreed to support an election in Kashmir, perhaps your researcher should have gone back a little bit further in time, because, I think, if he had gone back perhaps as far as 1776, he might have noted a document that supposedly gave us little direction in determining our policy that begins with the words, "When in the course of human events—", and it talked about dissolving political bonds that unite peoples. It talked about inalienable rights. It talked about government deriving its just powers from the consent of the governed. Per-

haps, it is those founding documents that should be the guiding reference to our State Department, and not some archival search in the 1948 questions dealing with whatever area of the world you choose to look at.

I was most unhappy with that answer. But, recognizing the fact that there is going to be someone else sitting here representing the administration perhaps in a few months, I can understand that, but just for that admonition. For the record, this particular Congressman, and I am sure this reflects a bipartisan approach to American foreign policies, that we do believe that America's principles do have some relationship to our policies toward other documents, our founding principles.

What is the situation in terms of Afghanistan and what do you believe is the chance for actually bringing—what influence can the United States be right now in bringing that chaotic situation into some sort of semblance of order?

Mr. MALOTT. If I could just comment briefly on the previous statement.

Mr. ROHRABACHER. Please, go right ahead.

Mr. MALOTT. Again, this goes back into history. My understanding of the ground rules for India's independence in 1947 were that the British told the princely states, "You have two choices only and independence is not one of them. You may accede to India, or you may accede to Pakistan." That option applied to the princely state of Jammu and Kashmir as well. So, my understanding is, and, again, I would have to go back and consult the historians—MR. Rohrabacher. What was the British position back in 1776 when we issued our statement?

Mr. MALOTT. So, the option, as I understand, the plebiscite from 1948 would only have had a choice between, "Do you wish to be part of India, or do you wish to be part of Pakistan?" Independence was not an option at that point. The change that has taken place in Kashmir is, in fact, a growing desire on the part of many Kashmiri Muslims for independence. That has made the situation in Kashmir a lot more complex than it used to be.

On Afghanistan,—

Mr. ROHRABACHER. I do not think that it makes it more complex. I think that makes it very clear. The majority of people in a given area want to have their own self-determination. That should be part of America's foreign policy.

Mr. ACKERMAN. Might even think of making it a part of our domestic policy. [Laughter.]

Mr. ACKERMAN. Excuse me for interrupting. You go right ahead.

Mr. MALOTT. Senator Moynihan has recently written a book, I believe, the title is "Pandemonium," in which he talks about ethnicity as a factor. That is why I said, our European Bureau is much more able to discuss the issue of self-determination and ethnicity. As to your question of whether or not we, in terms of our foreign policy, believe that every ethnic group should have its own nation, I would not want to get into that today. But I think it is a key question that we have to answer. That is why I said earlier that I would not want to get into a semantic argument about what self-determination means.

On Afghanistan, the greatest disappointment that we have—in fact, I think yesterday or the day before was the first anniversary of the Afghan agreement that brought the end of the Nadjibullah regime—the greatest disappointment, the greatest frustration that we have in Afghanistan is the fact that one year later we still do not have a functioning government in Kabul. We still do not have political stability. Those who so bravely fought the war against the Soviets and their puppet regime are now turning their guns on each other in their struggle for political power.

We have been unable to reestablish our Embassy in Kabul. We are unable to send anyone into Afghanistan to Kabul, itself, to discuss with the leaders. We are, in effect, trying to influence the situation there to the degree that anyone can by long distance. We talk to the Afghan leaders when they visit Pakistan, when they visit Central Asia. I have met with a number of Afghanistan leaders here in Washington. We talk to other governments who have an interest in Afghan developments, or who may have embassies still in Kabul. We work with the United Nations as well. It is a very, very difficult process on how can any outsider try to bring stability to Afghanistan.

Our assessment of the situation is that this is primarily an internal struggle, and that the ability of outsiders to influence the situation, really, is rather limited. Therein lies our frustration, as I said in my statement. It is a great tragedy. And, most of all, it is a tragedy for the people of Afghanistan. Having achieved their freedom from the Soviets, they still are not able to have peace and stability there.

Mr. ROHRBACHER. The United States, having supported the resistance movement against the Soviet invasion and occupation, does have some influence with all of the factions. I would just hope that, and I will be watching very closely to see that we use that influence. I would hope that we would use that influence in a very positive way. I know that that is a commitment from our career foreign service people, as well as people in elected office in our Government.

In terms of human rights, and just where do we, where does that stand in terms—well, I guess, and, again, there will be a new person here from the administration, but when we talked about things that were going on in India, like were mentioned by our colleague, Mr. Burton, just what priority do we put that on when we see people's human rights being violated, but then, again, it is a democratic government. We always come back that it is a democratic government. So, where do we place our priority in dealing with India, which is currently violating some of its own citizens' human rights?

Mr. MALOTT. I would say that the President and Secretary Christopher have made it very clear about the importance that this administration is going to attach to human rights. Human rights has become a major issue in our relationship with India. We have been raising it with the Indian Government on almost a continuous and regular basis. Our dialogue is primarily one that is conducted in private at this point.

We believe that the Indian Government now understands that this is an issue that they are going to have to deal with; that we

will not go away; that we are going to continue to talk to them about the human rights abuses that their security forces are committing there. We have started to see at least a willingness on the part of the Indian Government to discuss these issues with us. They have invited Amnesty International to go back to India after, I believe, 14 years.

Mr. ROHRABACHER. Have they permitted the Indians, excuse me, have the Indians permitted Amnesty International to investigate human rights violations in Kashmir, for example?

Mr. MALOTT. No. Amnesty has gone to Delhi to engage in discussions with the Government of India about the ground rules under which they could do that. Amnesty, and I hate to speak for Amnesty, but my understanding is Amnesty has certain ground rules under which they will conduct a field investigation. Other organizations have different ground rules, but Amnesty insists that they must receive some form of official recognition from the host country that they have a right to conduct that investigation. The Indian Government sees that as an infringement of its sovereignty to allow someone else to come in.

Mr. ROHRABACHER. We have heard that before, have we not?

Mr. MALOTT. Other organizations, however, have gone to Kashmir. In fact, I have read, from cover to cover, a report by Asia Watch and by the Physicians for Human Rights, who have gone to Kashmir last October and who have published a report of their findings.

Mr. ROHRABACHER. And the findings indicated that?

Mr. MALOTT. That there are serious human rights abuses being committed by both the government security forces and by the militants.

Mr. ROHRABACHER. Tell me, do you think the United States should link its aid and, perhaps, trade policies with India to human rights abuses, for example, with the Sikhs, and the Kashmir situation, and others?

Mr. MALOTT. Again, my answer would be the same one that I gave with respect to the question about whether or not the Pressler Amendment should be extended to India for nonproliferation reasons. Mr. Laudato can describe in detail the kinds of programs that we are running in India. We are not involved in capital development programs for building huge infrastructure projects. These are primarily humanitarian programs that go for AIDS, that go for infant mortality and maternal feeding.

Mr. ROHRABACHER. I get your point. But, of course, that would not be true, as well, with trade issues, would it? We started talking about most favorable status with China and with other countries, and we have put human rights on a level.

Mr. MALOTT. I would simply say that at this point I hope we have not yet reached a point where that kind of linkage is required. As I said, we have seen some progress on the part of the Government of India since last summer in their willingness to talk to us. Unfortunately, we have not seen that kind of an improvement on the ground in the actual conduct of their security forces in Kashmir.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

Mr. ACKERMAN. Could you explain the difference in our trade policy with India as opposed to Pakistan?

Mr. MALOTT. In terms of U.S. trade policies, we have the same concerns. We have major concerns about intellectual property, rights, protection. Those concerns are a lot more serious when it comes to—

Mr. ACKERMAN. I mean, vis-a-vis, linkage to human rights.

Mr. MALOTT. There is no difference in the way that we approach India and Pakistan with respect to a linkage between human rights and trade policy.

Mr. ACKERMAN. Thank you. A very patient Mr. Fingerhut.

Mr. FINGERHUT. Thank you, Mr. Chairman. There are two different areas that I want to talk about with you briefly. They are, actually, in the reverse order that I wanted to raise them, but let's stay on the subject that we were on. I, too, of course, share the concerns that have been expressed about human rights violations by both parties, as you correctly said, in Kashmir. I think it is important to underline your statement "by both parties" because it is something we do not hear often enough.

But there have been two things about the relationships with India that I have not heard in this dialogue among those who have been on this committee longer than I, and who have more experience than I, that I am a little surprised about. They both got rather short shrift in your written testimony, anyway, of all the gentlemen at the table.

First is the subject of terrorism. We are increasingly concerned about fundamentalist terrorism around the world, certainly, in this part of the world that we are discussing here today. We even have had a recent brush with it here in our own country in the chairman's hometown. In fact, I thought when he was talking about domestic policy on independence, he was referring to Staten Island.

Mr. ACKERMAN. Close, but no cigar. [Laughter.]

Mr. FINGERHUT. I am wondering whether you wish to elaborate on some of the written testimony provided with respect to our concerns about terrorism in this region; specifically, please comment on whether terrorism should impact on our aid to countries, our general foreign policy in this region, and especially given that I think there is some danger to our citizens here in this country, whether we should be as concerned about terrorism as we are, of course, with the other gentlemen's concerns about human rights.

Mr. MALOTT. Yes, I would say two points. One, we cannot travel in that part of the world without hearing people in each country talk about what they believe the people in the next country are doing to them. Almost anywhere you go, there are rumors that country *x* is doing something to country *y*, or *y* is doing it in *x*. So, that is a fact of life in that part of the world.

It is very regrettable. I think it is something that they inherited, actually, from the British, if I could blame the British and go back to 1776, it is part of the great game mentality that says, "If you mess around in your neighbor's territory, he will, somehow, take you a little bit more seriously." I think in terms of reducing tensions in the region, it is important for the countries to stop that kind of low level activity.

Mr. FINGERHUT. But you do not deny that it goes on?

Mr. MALOTT. No, I do not deny that it goes on. Our concerns about these continuing reports that the Government of Pakistan is providing official support to individuals, and those individuals, in turn, engage in acts of terrorism in Kashmir on the Indian side of the line of control, and in Indian Punjab, I think is rather well-known. Those concerns still exist. Again, this is the issue that has been dominating our relationship with the Government of Pakistan for basically the last year.

Mr. FINGERHUT. I would underline my concern that the statement you made, which I think is appropriate and reflects American policy, be highlighted perhaps a little stronger when we have the rest of this discussion about our relationships in this part of the world because I think it is an important factor.

The second thing that I have been surprised not to hear about, particularly given the general discussions that the full committee has had on the subject of trying to direct our foreign aid more toward the subject of economic opportunity for American business, is the rather dramatic economic transformation in India. We have the potential to turn one of the largest democracies in the world into one of the largest free markets in the world. I would ask you to comment on the economic opportunities that exist, and whether you think these policies that we at least hear about from the Indian Government are, in fact, here to stay: Are we on a consistent path of growth in trade with India; and we as the U.S. Government, taking advantage of this opportunity to cement relationships with a free market India which, I think, is also one of the cornerstones of our policy, as Mr. Rohrabacher pointed out. What opportunities does this provide for us in an increasingly export-driven world.

Mr. MALOTT. I would agree with you, Congressman Fingerhut, that the economic changes that are taking place in India are probably the most exciting development in Indo/U.S. relations for the past several decades. It is a major reversal of traditional Indian thinking. First of all, to do away with their sort of Fabian-Socialist approach toward economic organization, to do away with the idea that the public sector should dominate in industry, and to actually welcome foreign investment, and in particular, American investment, is mind boggling.

It is a market of 870,000,000 people. There is a so-called middle class that probably approaches 250,000,000. If those reforms are successful, it can be one of the most important growth markets for U.S. exporters in the coming decade.

It is not without its problems. I think they have their macro policies right in the sense of the broad economic reform policies that they have outlined, and they intend to stick to them. We very often end up with problems in the entrenched implementation. You see resistance on the part of the public sector labor unions. You find lower level bureaucrats who still have not gotten the message, and, therefore, slow up investment applications that American business is putting there. But, I think, over time, these things will change.

Mr. FINGERHUT. Unlike their counterparts in this country.

Mr. MALOTT. Unlike their counterparts in the United States, of course. [Laughter.]

But, I think that over the longer period, this potential of the Indian market, I think, is rather—I remember many years ago when I was posted in Bombay, an Indian businessman told me, he said, “Look how successful Indian businessmen are when they leave India.” He said, “We suddenly don’t get smart when we move overseas. The point is, our government’s policies have been keeping us down.” When you look at the tremendous success that Indian immigrants to the United States have enjoyed, or to London, or to other parts around the world, the tremendous entrepreneurship that Pakistanis, as well, are displaying, if the governments in Pakistan and India would only provide the right kind of economic conditions that would allow their people’s energy and entrepreneurship to flourish, I do not think there is any limit to the economic potential, especially of India and Pakistan.

Mr. FINGERHUT. I guess, Mr. Malott, I would, again, perhaps in the next round or the next version of the testimony, urge the Department to underline that point because I think it is something that our country needs to hear more often. It is an area of great potential for us economically, I think.

Mr. Chairman, if I could be permitted, one other question. The other general subject matter that I wanted to explore very briefly is, if you take this entire region of the world as an entirety, leaving India for a minute and looking at it as a whole, we are talking about one of the areas of the world with the most dramatic economic success story of our age, it seems to me. Again, we are here talking about aid. So, it seems to me appropriate to ask, who else in this area is giving aid, to what extent, to their neighbors? What are their objectives? Are they meeting their objectives? Are we throwing a nickel where someone else is throwing a dollar? You understand the drift of that.

Mr. MALOTT. Mr. Laudato can handle that very well, I think.

Mr. LAUDATO. The major donor in the region is the World Bank, followed by the Asian Development Bank, the Government of Japan, and then, ourselves, in that order. But, Germany, the UK, Canada, are also important contributors to all of the six countries that we are talking about here today. Then, there is also, less quantified, but I think we know it exists, aid that comes from the Arab world, which tends to come in for very specific projects for very specific events. It is not part of a consistent flow. But, those are the major donors.

The major recipients of that assistance over the years have been, basically, Bangladesh and India, the two largest. Pakistan is the third. And the, Sri Lanka, Nepal, and Pakistan, in that order.

Mr. FINGERHUT. Thank you, Mr. Chairman.

Mr. ACKERMAN. Mr. Martinez.

Mr. MARTINEZ. Thank you, Mr. Chairman. I am new on this particular committee, not new to Congress, but I am new to this committee. One of the reasons why I chose to be on this committee is because for years I have sat and watched, and I do not know if there is any polite way to put it—I will try, though.

Foreign policy that is developed with the shortest and narrowest definition of what reasonable or objective should be are fair. I read an article not too long ago. The name of the article was “Dancing with Dictators”, and it accused the United States of having for

years, and years, and years, danced with dictators. It was not good diplomacy, let's say, to say of someone who is so revered, like Chang Kai Chek, that he ran a lousy democracy in China. All right?

They did not do too much a better job in Taiwan. There are a lot of people there that resent it. Envision the Taiwanese people, after being suppressed by the Japanese for so long, their language being forced on them, and here comes the Nationalist Chinese to enforce their language on them, and then, to declare martial law because of the supposed great threat. And over the number of years that they had martial law there, there was never an invasion by Mainland China, the Communist. In fact, they did try that right after the American forces evacuated the Chinese nationalist to be out of Formosa, which is now Taiwan. I happen to have first-hand knowledge of that because I was there with the Marine unit that evacuated them and helped them in the defense of Kim Min, which was Quo Mo at the time.

But, even from there to Ferdinand Marcos, who that was supposed to be a democracy—now, I do not know how that is a democracy. But, we, in our foreign policy, recognize these governments as democracies, and we call them democracies. They are not democracies. Any government that imposes any kind of force militarily and denies people rights, and is repressive to people, is not a democracy. I do not know how we continue to call it a democracy. Why do we not call it what it is? A dictatorship. I do not care whether you call it a right wing dictatorship or a left wing dictatorship. It is a dictatorship, and no dictatorship is good.

You know, where I want to qualify this by saying that I realize that we, as a country, have not always been a perfect democracy. It is more into the modern era that we allowed the women to vote. Before that, we did not allow a lot of other people. When we first started this country, the first 13 years, there was no free election. When there was elections, it was not everybody, as it said so in the Constitution, but it was only property owners. But we have all, over the years, become a better democracy.

If we look around the world to other emerging democracies and expect them to be exactly as we are when they have not had the experiences that we have had over 200 years of evolving to where we are now, and we are still not a real democracy completely, if you take the admonition of the chairman when he says about certain parts of our country could use some of that recognition, I agree with him. Certainly, in Rodney King and the violation of his civil rights, I do not think he thought this was a democracy.

But, we continue, in our foreign policy, to recognize these governments and give them aid. Help me because I am very confused. Why do we declare these governments, oppressive governments like that, the Terrorist Disruptive Activities Act which has given them the same powers of martial law. Do they have martial law there, and is that why they are operating not like a democracy, but like a dictatorship?

Mr. MALOTT. We are very concerned about the Terrorist and Disruptive Activities Act in India. We think it is used too much. It is used in states where there is, in fact, nothing happening of the nature for which we believe the law was originally written.

A lot of these, again, I hate to keep blaming everything on the British, Mr. Rohrabacher, but many of the basic—[Laughter.]

Every nation in South Asia, one of the unique features of South Asia is that they are all, in fact, inheritors of a British legacy. Now, over the past 40 some years, it has sort of gone off in different directions. But, this issue of preventive detention, of cracking down of, of security forces cracking down in order to prevent civil unrest is something that the Indians learned from the British during the colonial era. I would agree with you that it is not quite appropriate to see those laws used in situations where it is really not becoming of a democracy to have to rely on that kind of activity that much.

Democracy, we are in a unique situation now because almost all of the people in South Asia today, almost all of them, live under democracy, but that democracy is in various levels of stability, of evolution, and not without flaws, I think is the easiest way to phrase it. I was struck by what Mr. Smith said about what is happening in Pakistan. I think the stand of General Waheed, and even his predecessor, General Asif Nowaz, in terms of their insistence that the military in Pakistan will support democracy. General Nooradeen, who has an equivalent position in Bangladesh, a very courageous action when he was asked to intervene militarily and he refused to do. He said, "I support democracy." This represents a major change in the attitudes of some of the countries out there. Our goal, I think, is to try to make the roots of democracy go down a lot deeper.

Mr. Laudato talked about Nepal. It is a remarkable transformation that in 1990 the King of Nepal, voluntarily, gave up the political control of his country that he had, and turned his nation into a democracy. There are a lot of exciting things happening in South Asia in terms of democratic development, but, as you said, at various levels. I think it is our task, and the task of other countries that have an interest in ensuring the success of democracy, to try to do what we can to try to help the roots go down a lot more deeply.

Mr. MARTINEZ. In that regard, my colleague, Mr. Rohrabacher, talked about the influences that we have there because of the aid we have given in the past, especially in the case of Afghanistan where we supported their resistance against the Russians. How much influence do we have? I mean, other than denying aid, and I forget whether it was Mr. Ackerman or Mr. Fingerhut that referred to the fact that do we tie our aid to conditions asking them to comply to various human rights, et cetera, the question is, really, how much influence do we have? How much can that be a factor in convincing these people that they have got to evolve faster to democracy, or they have to at least work harder at it, or stop some of the real practices that really reprehensible as far as human rights are concerned, or individuals that are suffering, especially women and children, in a lot of those areas?

Mr. MALOTT. I think we have tremendous influence. What surprises me, over the years, as a career officer who has been in this business for 25 years, I have always noticed that one of the features of the way we traditionally approach foreign policy is we are always, as a nation, looking for leverage. We are always looking for

ways to influence behavior through either providing something or by taking it away.

What has really struck me since I have been doing South Asia since last year is that here is a part of the world where our aid levels are low, where our trade and investment is less than one percent of our global trade and investment, and yet, our influence is incredibly high. It is what we say. The fact that today, what we are all saying, is going to be reported tomorrow all over South Asia. Over 1 billion people, in theory, tomorrow will know what has taken place in this room.

When we can make a statement about Afghanistan, even though we are trying to do it long distance, that before long, the various Mujahideen leaders will all be claiming that they are somehow being favored by America in their power struggles. We have a tremendous influence these days in the world, not only because we are the sole super power, but because I think that we are seen as standing for something. As Nepal, for example, has tried to deal with how do you create a democracy where none has existed before, we, the United States, are seen as the model.

I think we have a tremendous influence in the world, and especially, in South Asia, that does not necessarily derive from the fact that we are giving assistance or that we are taking assistance away. People deal with what we say.

Mr. ACKERMAN. If only our constituents knew how powerful we were. [Laughter.]

Mr. MARTINEZ. I keep trying to tell them, but they won't believe me. But, having said that, let me give you an example. I do not think I am impatient, but for years, and even during the time I have been in Congress, and one of the first visits I took, or trips I took, was to Taiwan because there was martial law there, and the oppressive practices that they were carrying out there.

For example, anybody that disagreed with the KMT was immediately imprisoned because it was a national security thing. Baloney! You know, newspapers were destroyed. Magazines were destroyed. The people that ran them were incarcerated, and, of course, every time someone from the United States, someone from Congress, visited there, they trotted out those people who were considered to be sinners, and people who were now converted and realized the error of their way, to talk to us about how everything was changing and there was improvement. But martial law continued and that was a big problem. It was not until more recently that finally the pressures of that many years, I think it was over 28 years that there was martial law there, and there is no country where we should not have had more influence that with Taiwan during that whole—

Mr. ROHRBACHER. Will the gentleman yield for one moment?

Mr. MARTINEZ. Yes.

Mr. ROHRBACHER. Just to note that Taiwan has made dramatic progress. In the last 2 years, we could only hope that other countries that were more repressive, as you are describing, would make the same progress that we have seen in Taiwan, I think many of the problems that are being experienced in this part of the world would disappear. Thank you very much.

Mr. MARTINEZ. Thank you. And the point—go ahead.

Mr. ACKERMAN. Just to refocus us and assume the prerogatives of the Chair, I would just like to try to stick to the map, if we can. [Laughter.]

Mr. MARTINEZ. Well, let me——

Mr. ACKERMAN. Unless somebody proposes that because of Cain's terrorist activities, we cut off aid to Eden, and I do not know that the Garden of Eden is still within our jurisdiction or not.

Mr. MARTINEZ. I appreciate the chairman's admonition, but let me explain to the Chair that the reason I bring that up is because it is related. Everything that happens in the world is related one to another. You know, we would not have had the holocaust that we have had if they had not permitted the first holocaust. So, in that regard, I would ask the Chair to allow me to continue my train of thought here because there is a point.

The point is, in referring to what my colleague Rohrabacher said, that, yes, Taiwan has made dramatic improvements, but only the last few years. Prior to that, there were years and years. What the question started to be was, you know, maybe I am too impatient. And maybe it should not take 30 years for a country to all of a sudden revisit its practices toward its own people, and lift martial law, and become that bastion of civil rights and human rights that it should be. But, when you say we have tremendous influences there, and the reference was that we had tremendous influences in Taiwan, too. There is no place we should not have had more influence. But, by the same token, look how many years it took them to move.

So, the question is, in this area where we do have the kind of influences that you are talking about, how soon can we see that dramatic change that has taken place in Taiwan in the last few years?

Mr. MALOTT. Well, I hope that we will start to see some. With respect to human rights practices and democracy in the countries, I hope that we will start to see greater improvements, particularly, in the case of India, which is where we have a lot of concerns, and where all of you have expressed your concerns today.

I think that in terms of promoting economic reform, economic development of the kind that has occurred in East Asia, I think that India, Pakistan, Sri Lanka, those countries, will come to understand that it is in their own interest, and we can be supportive, but I think if you want to grow, if you want to attract foreign investment to your country, you, as a nation, have to take certain kinds of actions in terms of the kind of investment regime that you have, whether or not you are willing to provide adequate protection for the copyrights, trademarks, and patents of the foreign investors. So, I think, over time, we will start to see these things, and we are going to keep pushing them and encouraging them to move in that direction.

Mr. MARTINEZ. Thank you, Mr. Malott, and thank you, Mr. Chairman.

Mr. ACKERMAN. Thank you very much. Mr. Burton, who was here earlier and left, expressed some rather strong points of view, and did, indeed, raise a bill that he has introduced for purposes of discussion. I would like to know the position of the administration with respect to Mr. Burton's bill. Do you support it? Do you not

support it? Is it one of those issues you have not gotten around to speaking about yet, and why or why not to any of the above?

Mr. MALOTT. We have thought about it. We do not have a formal position. I would be prepared to submit a formal response for the record because there are certain internal procedures that we have to go through. But, I would simply make a couple of comments.

I do not think that there should be any doubt at all that we have serious concerns about India's human rights practices. When I heard that Mr. Burton was coming today, I went back and reread our human rights report on India, which, I might add, has been rather widely praised both by human rights groups in this country, as well as in India, itself, for its candor. So, we do have concerns about their human rights performance. I have expressed those today.

We also, as an administration, however, are seeking assistance for India. So, the question really becomes, do we want to link the two? As I said in response to earlier questions, whether proliferation or human rights, I would be hard put to state why the poorest of the poor in India should be made to pay the price for the human rights abuses that are being committed by security forces.

The other general consideration—

Mr. ACKERMAN. Could you just flesh that out for us? What do you mean by the question of whether the poorest of the poor should pay the price?

Mr. MALOTT. Because if American economic assistance to India is terminated because the Parliament of India refuses to repeal certain acts and laws that it has passed, the people who would suffer from that termination of American economic assistance would, in fact, be some of the poorest of the poor in India.

Mr. ACKERMAN. Did we not abandon that strategy, vis-a-vis South Africa, or did we revisit that as a strategy or as an argument?

Mr. MALOTT. Let me phrase it this way. We have, because I brought this up, the human rights report that the State Department submitted in February of 1993 is 1,200 pages long, and it deals with human rights abuses that are being committed by many governments, and terrorist groups, and militant organizations around the world. So, the question to me is whether or not you wish to condition economic assistance in general. But, to single out one country, one specific law, one specific act that must be repealed, or American economic assistance would be cut, I think is something that would cause us some concern because terminating that assistance hurts the poor people. It will not cause the Parliament of India to repeal laws that it, as a democracy, has chosen to pass.

I do not think this Congress would appreciate anyone telling it to repeal certain laws. India is a democracy. It has passed those laws. We may not like the way that they are being applied, that they are being applied too widely in 25 states of India. But, I don't think that repealing economic assistance from the United States will have any leverage or impact at all on that situation. The only effect, as I said, would be to hurt the poorest of the poor.

Mr. ACKERMAN. Are you, in general, not in favor of conditionality, vis-a-vis human rights, anywhere in the world?

Mr. MALOTT. There are provisions—

Mr. ACKERMAN. Or only big countries?

Mr. MALOTT. There are provisions. I would have to give you something for the record. As I understand it, there are provisions that already exist within U.S. legislation, where economic assistance can be curtailed in the case of violators of human rights. So, perhaps, as I said in the beginning, I can go back and give a more formal response.

[The information follows:]

Sections 116 and 502B of the Foreign Assistance Act, initially contained in "sense of the Congress" provisions in 1973 and 1974 and made mandatory in 1975 and 1976 respectively, together operate to deny economic/development and military/security assistance to "the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights."

The term "gross violations of internationally recognized human rights" is defined in § 116(a) to include:

"torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges, causing the disappearance of persons by the abduction and clandestine detention of those persons, or other flagrant denial of the right to life, liberty, and the security of the person."

In determining whether a country is a gross violator, the Department of State is also required to take into account the relevant findings of appropriate international organizations, including nongovernmental organizations such as the International Committee of the Red Cross, and the extent of cooperation by such governments in permitting an unimpeded investigation of alleged violation of internationally recognized human rights by appropriate organizations such as the ICRC and groups acting under U.N. or OAS authority.

Both statutes provide for exceptions. The prohibition under § 116 does not apply when "such assistance will directly benefit the needy people in such country". In making determinations under this section, the AID Administrator is directed to consult with the Assistant Secretary for Human Rights and Humanitarian Affairs. Under § 502B(a)(2), certain types of security assistance may be provided if the President certifies that "extraordinary circumstances exist warranting provision of such assistance".

Parallel "gross violator" provisions were enacted in 1977 with respect to U.S. assistance channeled through the World Bank (IBRD and IDA), the International Finance Corporation, and the Inter-American, Asian and African Development Banks as well as the African Development Fund. In 1992, these provisions were extended by the Freedom Support Act (Pub. L. 102-511, §(a)) to apply also to the European Bank for Reconstruction and Development as well as the International Monetary Fund.

A similar "gross violators" provision now applies both to the financing the sale of agricultural commodities and to the provision of the commodities themselves under the P.L. 480 program.

Mr. ACKERMAN. That would be appreciated as well. One more question, because we do have private witnesses here as well, much has been said about human rights violations during the hearing thus far, specifically in India. In the interest of being even handed, I would like to give you the opportunity to comment, if you will, on the question of human rights violations in Pakistan. There have been reports of persecution of well-known minorities, such as Christians, and of journalists. Perhaps you might care to say a word about that.

Mr. MALOTT. I appreciate that. We, there is a lot of—I think most of the focus on human rights in South Asia tends to come in the countries that are facing insurgencies. So, most of the questions that we face, or the letters that we have to answer, deal with violations of human rights in Kashmir and in Punjab, violations of human rights in Sri Lanka, and we very often lose sight that we

have other problems in other countries. We have other problems in India, even in other places than India. Pakistan, quite clearly, is one of those places.

Most of the concerns that we have in Pakistan relate to their treatment of minorities—whether it is the Ahmadi Muslims, who are not regarded under Pakistani law as genuine Muslims, and, therefore, they are discriminated against. We have concerns about their treatment of Christians. There are a number of cases where Christians have been sentenced to death under Sharia law for allegedly blaspheming the Prophet. No one has actually been put to death yet, but these kinds of cases of discrimination against minorities on religious grounds are a source of concern to us. The other concern that we have in Pakistan, one of the major concerns, is police treatment—the detention, the torture that takes place, the rape of women or of spouses of suspects. That is another continuing concern that we have with the Government of Pakistan, which we raise with them.

Mr. ACKERMAN. Let me thank you, the entire panel. We do have a whole list of questions with respect to Bangladesh, and Sri Lanka, and other countries, that are not of any lesser concern to us, but we will give you those questions for the record, if we may. Let me thank the panel. You have been very, very helpful and very informative during these deliberations. Your participation is very much appreciated by the entire committee. You have done very well for us. Thank you.

Mr. MALOTT. Thank you, Mr. Chairman.

Mr. ACKERMAN. Panel II consists of James Clad, currently affiliated with the Carnegie Endowment for International Peace; Mitchell Reiss, presently at the Woodrow Wilson International Center for Scholars; and Holly Burkhalter, the Washington Director of Human Rights Watch. While they are coming up, we will take a break for about a minute and half.

[Recess.]

Mr. ACKERMAN. The subcommittee will come back to order. Again, we are joined by Mitchell Reiss, of the Woodrow Wilson International Center for Scholars; James Clad, currently affiliated with the Carnegie Endowment for International Peace; and Holly Burkhalter, Washington Director of Human Rights Watch. Welcome!

Mr. Clad.

Mr. CLAD. Thank you, Mr. Chairman. I have prepared some statements for the record, but by your leave, I will touch on a few moments of oral testimony.

Mr. ACKERMAN. Without objection, your complete statement is in the record.

Mr. CLAD. Thank you.

STATEMENT OF JAMES C. CLAD, SENIOR ASSOCIATE, THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

Mr. CLAD. Although I am currently at the Carnegie Endowment, until 1991, I was the South Asia correspondent for the Far Eastern Economic Review, and also was president of the Foreign Correspondents Association of South Asia. Picking up on the joke a

moment ago I should add that, as both a Christian and a journalist, perhaps there will be some perspective here that I can offer.

Mr. ACKERMAN. A lot of us have had dual heads. [Laughter.]

Mr. CLAD. While I am happy, of course, later on, to take some questions perhaps about wider issues in South Asia; I would like to concentrate on two things. One is the situation in Kashmir, which I have had an opportunity to visit in my capacity as a correspondent. Also, I want to make some wider observations about the transformation that is going on in India at present, particularly about the specter of Hindu Nationalism, or Hindu Revivalism, and what that phenomenon really is.

I think the basic problem in Kashmir results from India's inability to eliminate a wide number of armed groups who want the Indians out of the Kashmir valley. The essential problem that we are dealing with now arose in December of 1989, after a spate of kidnappings, and it was followed by a very tough response from Indian security forces. We now have what some people regard as the highest concentration of security forces in the world per capita in Kashmir, where perhaps 4 million Kashmiris who live in the Valley of Kashmir, which is where all these atrocities are occurring, cohabit the valley with 400,000 security troops and regular army troops from India.

The difficulty with Kashmir, and I have been visiting South Asia now for about the last 15 to 18 years, is that for both Pakistan and India, the status of the territory remains a very definitional issue. It is self-definitional. For Pakistan, Kashmir is the issue of partition which remains unresolved since 1947. For India, having Kashmir within the Indian union, no matter at what cost, serves to reinforce India's secular credentials.

Now, the problem since December 1989, has become ever more frightful. Although I have witnessed many unpleasant situations in Asia, I have never seen anything that so deeply troubled me as the alienation existing in the Valley of Kashmir. Most credible accounts now suggest that the level of intensity and frequency of occurrence of officially sanctioned abuses by the Indian forces is rising in recent months. It was mentioned earlier that an incident occurred in downtown Srinagar over April 12 and 13. My information suggests that the Indian forces simply went berserk, burnt down hundreds of homes, and at least 100—150 Kashmiris died. What we are seeing in Kashmir is a gradual intensification of the situation there, while both India and Pakistan, for 45 years, have been taking the same sterile position.

What I want to do—and I will leave it to other witnesses today to give you specific examples of human rights abuses—is to mention, in passing, some thoughts on what might be a suitable approach for the United States to take. I realize that most Kashmiris and certainly, all the militants now desire independence, certainly, from both India and from Pakistan, but I have come to the conclusion that an eventual partition of the former princely state of Jammu and Kashmir is probably the solution most likely to yield both a form of autonomy to Kashmiris in the longer run, and a reduction in violence.

I realize this is somewhat of a contrarian position to the normal talk that you will hear from Kashmiris of self-determination, but

I believe that only partition of the state giving turning the Line of Control into the formal frontier, and giving a form of autonomy to both the West and the eastern halves, will result in a situation that most Kashmiris are prepared to accept.

I think, also, that given both the volatility of the South and Central Asia region and the incomplete nature of nation building in both Pakistan and India, a fully independent Kashmir would set a terrible precedent. The cohesion of countries around it would be reduced. It may not be the only issue that we have to think about, but it is an important one, and it matters to the United States.

If the United States went ahead with some endorsement of a partition of Jammu and Kashmir, I think the elements that I have outlined in the written statement would also have to be accepted. I will traverse them very quickly.

I think the first thing that we have to be looking at is negotiating some changes to the existing Line of Control dividing Kashmir to give both India and Pakistan more territory where they need it.

In the South, more land would have to go to India near the area of Jammu, in the area that is called the Parrot's Beak, an area where during the last two wars over Kashmir, the Pakistani forces sought to cut off Indian supply to the Kashmir Valley. In the North, I think territory would have to go from India to Pakistan in order to improve the chances that Pakistan could defend the road that it has going up into China. I think we would have to see these transfers of territory happening simultaneously, and I am not pretending to set it out now in any step-by-step detail. But, I think the whole package would also have to include free cross-border movement by Kashmiris.

Mr. ACKERMAN. When you say cross-border, what border are you talking about?

Mr. CLAD. I am talking about the line of control that would become the international frontier. I think we would have to not see that as militarized and as a fence, but we would have to watch it facilitating Kashmiris travelling east to west and west to east. So, I am talking about cross border movement for Kashmiris as well.

I think it would have to be linked to a normalization of relations with India and Pakistan. I am talking about something far more significant than simply confidence building measures. We have between India and Pakistan a frontier of nearly 2,000 kilometers in which at the moment there is exactly one border crossing through which 10 to 15 people pass per day. This is a grotesque situation. Of the two countries, combined external trade, of less than 3 percent is accounted for by exports and imports between the two of them. So, we are talking about reopening along cross border crossings, and we are also talking about plans to gradually withdraw Indian security forces, especially the paramilitary forces, the BSF, the border security force, whose behavior is so especially appalling in the valley. I think also it would have to be accompanied by some localization of public powers in both East and West Kashmir, as it became, and I think we would also have to watch the U.N. involved.

The elements are set there in the written statement. I think that it is a plan which has some prospect. It has been floated from time to time in the sixties and seventies. When I visited Delhi last year,

it was very quietly advanced to me as one possible prospect, and by my floating it in the *Los Angeles Times* and in the International Herald Tribune, it immediately attracted a wave of opposition in India, but it was intended precisely to do that. What I am suggesting for U.S. policy represents, rather than a careful balancing of approach—within which we have the central problem, Kashmir, continuing to fester, and worse human rights abuses as each month progresses—instead of this, we would have the possibility of perhaps normalizing Indo-Pakistani relations and most immediately, of bringing some peace to the region.

I think if we were prepared to embrace an honest broker's role in this respect, I think that we would have to stand back from getting involved in the kind of games that have our government branding Pakistan as a state that sponsors terrorism. I think that would be all the more mistaken and misguided if it is done, even in part, as a desire to placate the Indians. I think we have to realize that this a game two can play, and do play, in South Asia with terrible regularity. The Indian security and intelligence forces for many years have been helping to covertly destabilize the Province of Sind in Pakistan. I think that it is a question of what is sauce for the goose is "sauce for the gander" in this particular case.

Standing back a little bit from what approach we might embrace if the Clinton administration decides that it wants to take the risk of becoming more directly involved in Kashmir, I want to congratulate the U.S. Institute of Peace, which has already begun an informal peace dialogue over Kashmir this last January. Before he became director of the Office of Policy and Planning at the State Department, Sam Lewis convened what I think is an unprecedented gathering of people, both people of Kashmiri origin and influential people who were not necessarily officials from India and Pakistan. They came, and Americans were included, including myself, to the Washington area in January, and a very interesting dialogue was begun. I would hope that this can continue.

I think that, lastly, on Kashmir before I turn, quickly, to the wider issues on economic and political convulsions in India today, I would like to mention that India is often seen as developing a nuclear weapons capability as a result of its conflict with Pakistan. This is only part of the story. India, essentially, is developing an ICBM and a nuclear weapons capability because the Chinese have them. That is an essential part of India's security equation. Mitchell Reiss, I know, will allude to some of these factors when he testifies in a moment.

But, I think it is essential to realize that unless Kashmir is somehow taken off the front burner, that you have a situation where you cannot ask these countries to take wider steps—perhaps in the context of a five power meeting to discuss regional security—to begin to even freeze their nuclear weapons capability programs. The problem is that both India and Pakistan have talked themselves into positions which admit no exit. As John Malott said earlier, we are in a remarkably influential position in the region for reasons that still continue to elude me sometimes. But, the South Asians take what we say very seriously.

Also, a final point, personally, as a result of being out there as a foreign correspondent and watching political reaction to things

that our Congress sometimes does, I am a little bit wary of what sometimes can become easy posturing when we attempt to use U.S. bilateral, repeat, bilateral aid as a way to reward or punish bad or good behavior. On the other hand, I think that when we work quietly, as we sometimes can do we can influence subcontinental policy particularly within the multilateral aid institutions. After all, we are talking about, in India, a distinction between a bilateral \$140 million for India from the United States and over \$6 billion from the World Bank alone each year. I mean, let's keep our perspective here.

I think that when we work with our Western allies in the World Bank. We can influence Indian and Pakistani behavior. I saw that and wrote about it during the balance of payment crisis in both countries in 1991 when they did stand back from some of their more grandiose budgetary provisions they were thinking of making for their respective military establishments. All right, it was fiscal pressure and they were caught in a trap, but in this case multilateral conditionality worked better precisely because it was not explicit.

Let's now turn a bit to the wider issues in India. India always presents the appearance of a country that is falling apart. My college in the Carnegie Endowment, Silig Harrison, wrote a book in the late 1960's which predicted that India could fall apart in a matter of 5 years. These books appear regularly. My own will probably appear soon. Yet, India continues resolutely to remain together.

But, that said, it is a very testing time for India. We have had in the last 5 months the destruction of the old, and incidentally, disused mosque in Ayodha in North Central India, followed by a wave of rioting, unprecedented since the partition of India and Pakistan 45 years ago.

Mr. ACKERMAN. Was there a point to mentioning "unused"?

Mr. CLAD. Oh, disused in the sense that in the Middle East and in Pakistan, people are led to believe that that was a mosque that was being used right up to the time of its destruction. There has not been, to my knowledge, Muslim prayer in the mosque that has now been destroyed, since 1951.

Mr. ACKERMAN. You were not offering that as justification?

Mr. CLAD. Not at all, not for a moment, but I think it is important to state those things because it is one of the many reasons why Pakistan has made such tremendous play out of the destruction of the mosque, and I think falsified some of the situation there.

In those riots, and in that destruction, people have seen the specter of Hindu nationalism. The words that are often used are "revivalism" or "fundamentalism," seen as led and mobilized by the Bharatiya Janata party. It took me awhile to learn to pronounce those words as well. The BJP, it is now the principal opposition party in the Indian Parliament, holding 119 seats. That is no small feat for a party which first appeared on the voter forms only in 1984 and won just two seats then. We are watching the emergence of a phenomenally powerful and fast growing party.

I think that to see the BJP only as an example of fanaticism is to miss the point that it is gaining influence at a time of extraordinary difficult events in India over the last couple of years. Let me

just cite them quickly—the outbreak, as we have been speaking earlier, of the Kashmir insurgency; terrorist attacks in the Punjab, Assam and Tamil Nadu; widespread civil unrest over plans to create a quota of government jobs for lower caste Indians. India was virtually brought to a stop for several weeks in 1990 as a result of intense higher cast-reaction to this plan.

Also testing India was a severe balance of payments crisis. I mean, I do not think that we realize in the West, because it was under reported, how close India came to simply being unable to meet its commitments. One of the people at the Reserve Bank of India told me India was down to 3 days' import cover in April of 1991. The Bank of England and Japanese banks demanded, and received, gold as collateral and this was flown out of India at that time. It was a serious moment.

Another problem is the progress of criminalization of politics in many Indian states where there is no effective governance. We have also had the assassination of leading figures, including, of course, Rajiv Gandhi, and we have had recurrent Hindu/Muslim disturbances.

At the same time, however, you have also heard today how India is fast developing a tremendously dynamic economy. You are hearing how it is continuing to deregulate; even the disturbances that occurred after the destruction of the Ayodha mosque in December of last year prompted the government, in my view, to accelerate the progress of deregulation to offset the impression that India had become an even more difficult country in which to work. So the net effect of the recent troubles for the deregulation and liberalization of the Indian economy, I believe, was an acceleration of that effort.

India's middle classes, I don't believe, approach anything like the 250 million figure that John Malott gave you a minute ago. I think it is more like 100 million or even fewer in the sense of the term "middle class" that you and I would understand. Still, that is a lot of people. Their lifestyles are middle class and their aspirations are set by the international media. India also has the third largest pool of scientific and technical personnel in the world.

What I am describing to you is an India that is undergoing nothing short of a post-independence transformation. I think that we have to understand that in the United States in order not to become too obsessed by the issues that, of course, warrant our attention—Kashmir, the human rights situation, and a number of others—but to see in India's transformation a remarkably good economic opportunity.

India is the last major Asian country in which the United States remains the lead direct foreign investor, ahead of the Japanese. One thing I am noticing, with pleasure, is the way in which large American corporations are responding to India's opportunities.

We are also looking at a situation, I believe, where the BJP will probably come to power before the next election which, under the British style system they have there, must be held before November, 1996. Is this a cause for alarm to us? In my own view, it is probably overrated. To be sure, some of the people in the BJP, certainly some of its affiliated people I met in India, spoke in frightful terms. One of the leaders of a group called the Vishwa Hindu

Parishad spoke to me in all seriousness about a "Christian conspiracy" against India led by the Western world.

I think there is a tendency to vilify the BJP in this country, which is very mistaken. It is probably not the right thing to do if we are anxious to preserve a long-term relationship with India. We forget that this party has a message of genuine, broad appeal to the Indian electorate. Its message includes the promise of coherence and of reduced corruption. It includes a promise, to a sizable number of BJP voters who are small and medium traders, of getting rid of the Indian bureaucracy which so impedes economic dynamism within the country.

We have heard today about the success of Indian migrants outside of India. One reason Indians cannot succeed, within India is because liberalization remains largely a matter of opening of the economy to outside investors. Internally, a great deal of work remains to be done before the bureaucracy is pushed aside. That is a very important element of the BJP's message. It is an aspect which we should applaud.

I think, finally, the BJP holds out the promise of new coherence for the Indian state. Remember, this is a party that includes Muslims as well as Hindus. Their approach is nationalist. They describe themselves, for example, as "Hindu" nationalists in much the same way as Germany's Christian Democrats are "Christian." That rather overstates the point, but the leadership of the BJP, in my view, remains moderate.

I have mentioned these points because I believe that the BJP will come to power, and because I believe that some of my friends at the State Department have a rather negative view of the BJP. I would not like to see this country put into the position where we are explicitly or implicitly favoring the Congress party at a time when that party, incidentally, is suffering continuing deterioration. The Congress party has not held internal elections since 1972. It is a party that is, sadly, often painfully corrupted. It is a party which, incidentally, wins successive electoral victories by making appeals to the Indian electorate which are every bit as divisive as those of the BJP.

I will stop there, and thank you for your attention.

[The prepared statement of Mr. Clad appears in the appendix.]

Mr. ACKERMAN. I think rather than disrupting the testimony of Mr. Reiss and Mrs. Burkhalter, in light of the fact that a vote is going on, we will take a break, a short recess.

But, first, I would like to call to the attention of those present that we are joined by the most venerable one Tich Ho Yanh, who is one of the great holy men of Asia, and regarded by most as the highest ranking religious figure in Vietnam. Would you stand up? Welcome. Thank you.

We will take a recess for a few moments. We will return shortly after the vote. We stand in recess.

[Recess.]

Mr. ACKERMAN. The subcommittee will reconvene. I believe we were at the point where we were expecting the testimony of Mr. Reiss. Thank you for being so patient.

Mr. REISS. Thank you.

**STATEMENT OF MITCHELL REISS, GUEST SCHOLAR,
WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS**

Mr. REISS. I am grateful for the opportunity to address the subcommittee today on the subject of nuclear nonproliferation in South Asia. I would like to read a brief statement I have prepared, and will submit a formal statement into the record later.

Currently, India and Pakistan are believed capable of assembling nuclear weapons upon very short notice. India is thought to have the ability to construct a nuclear arsenal of between 20 to 50 nuclear weapons, while Pakistan's capability is believed to be between 6 to 12 nuclear weapons. Neither country is a party to the NPT. Neither has accepted full scope safeguards, and both are actively enhancing their ballistic missile delivery capabilities.

While these capabilities alone would be cause for concern, it is the domestic and regional environment in which this nuclear competition occurs that is particularly troubling. As James Clad testified earlier, and as did U.S. Government officials, we have already heard much about this domestic and regional environment. I would like to move on and leave that for my formal statement.

With respect to nuclear matters, the lack of an articulated nuclear doctrine by either Delhi or Islamabad, the absence of sophisticated command and control systems, and the traditional mistrust and suspicion that has characterized relations between India and Pakistan, all increase the risk that the next bilateral crisis could escalate to the nuclear level.

Past efforts by the United States to prevent a nuclear arms race in South Asia have largely proved unsuccessful. In 1974, India conducted what it termed to be a peaceful nuclear explosion. Congress responded by passing the 1978 Nuclear Non-Proliferation Act. Armed with this legislation, Washington attempted to use its 1963 Tarapur fuel supply agreement with India to force Delhi to accept full-scope safeguards. India refused and accused the United States of unilaterally and retroactively trying to rewrite the terms of the 1963 agreement. The resulting impasse dominated Indian-American relations for 5 years until the Reagan administration agreed in 1982 to let France provide the fuel for the two Tarapur reactors. In return, India agreed to maintain safeguards on Tarapur and the resulting spent fuel.

With respect to Pakistan, its efforts to acquire a nuclear weapons capability repeatedly brought it into conflict with U.S. nonproliferation laws during the 1980's. Five times Washington waived U.S. laws intended to restrict the spread of nuclear weapons related technologies in order to continue to provide Islamabad with substantial economic and military aid. In October 1990, the United States terminated economic and military assistance to Pakistan, in accordance with the Pressler Amendment.

In an attempt to win back Washington's favor, Islamabad has claimed that since 1990 it has not enriched uranium above the 20 percent level, not milled any enriched uranium into metal, and not shaped any metal into weapons cores. Pakistan has also reiterated its intention to sign the NPT, agree to a regional nuclear-weapons-free zone, freeze the production of fissile material, conclude a bilateral or regional test ban treaty, and accept full scope safeguards as long as India does the same. Still, Pakistan has not destroyed the

cores that it stockpiled before October 1990, and in February 1992, Pakistan's foreign minister admitted that the country possessed a nuclear device.

During the past few years, the United States has proposed a number of ideas to restrain the nuclear arms race on the Indian subcontinent. These have met with limited success.

In 1991, Washington proposed a meeting of five powers—India, Pakistan, China, the United States and Russia—to discuss a broad range of regional issues, including nuclear proliferation. Delhi rejected this proposal, but agreed to enter into bilateral discussions with the United States. Two meetings were held in 1990, neither of which was particularly productive.

Washington has also encouraged both India and Pakistan to adopt confidence and security-building measures. In January 1992, Delhi and Islamabad finalized a 1988 agreement not to attack each other's nuclear installations by exchanging lists of nuclear facilities. These lists were subsequently updated in January 1993. Both sides have promised not to develop or deploy chemical weapons. Other agreements include the implementation of no-fly zones close to the border, the establishment of a "hotline" between military commanders, and advance notification of any military exercises above a certain troop level or within a certain distance from the border.

There are some issues of particular concern to Congress that will be arising in the future. The third round of the Indian-American bilateral talks are planned to take place this July. At present, there is little reason to expect this next meeting will be any more successful than the previous two meetings.

Later this year, it is expected that India will conduct the third flight test of its Agni missile, an intermediate range ballistic missile that Indian officials have termed a technology demonstrator. Many observers believe that the Agni is designed to be a stepping stone to an ICBM capability sometime later this decade.

This October, the Tarapur fuel supply issue will resurface when the 1963 U.S.-Indian atomic energy cooperation agreement expires and India's fuel supply contract with France ends. India claims that after these agreements end, it will no longer be obligated to accept IAEA safeguards on Tarapur and its spent fuel. This fuel could be reprocessed to extract weapons-usable plutonium. The United States and France argue that IAEA safeguards should continue to apply, and have also told Delhi that India must accept full scope safeguards before either country will provide additional fuel.

With no foreign fuel supplier, India's alternatives are to shut down Tarapur or produce the fuel indigenously. Shutting down the reactors will be costly because the two Tarapur reactors are the most efficient ones in the country, providing 10 percent of the electricity for Gujarat and Maharashtra, the states that comprise India's industrial heartland. Yet, India's options for domestic nuclear fuel production are limited. The best bet is a mixed-oxide MOX fuel that would contain both natural uranium and plutonium.

With respect to Pakistan, it would be extraordinarily difficult for any popularly elected Pakistani Government to unilaterally roll back the country's nuclear program by destroying its stockpile of highly enriched uranium cores, as it must to comply with the Pres-

sler Amendment. The Bush administration requested Islamabad to do this in 1990 and 1991, to no avail.

Moreover, the Pressler Amendment imposes a structural impediment to progress on the nuclear issue. As long as the Pressler Amendment remains in force in its present form, Delhi has little incentive to help alleviate Islamabad's predicament by negotiating constructively on the issue of nuclear proliferation in South Asia. India will be reluctant to help Pakistan achieve what Pakistan cannot achieve for itself. Thank you.

[The prepared statement of Mr. Reiss appears in the appendix.]

Mr. ACKERMAN. Thank you very much. Ms. Burkhalter, thank you for being so patient.

STATEMENT OF HOLLY BURKHALTER, DIRECTOR, WASHINGTON OFFICE, HUMAN RIGHTS WATCH

Ms. BURKHALTER. Thank you for being so patient. It has been a very interesting hearing, sir, and I am really delighted to be a part of it.

We were asked to comment, sir, on human rights abuses in several countries. I am not going to try to do so. I think trying to deal with very important issues in four or five countries is a disservice to the victims, when you leap briskly from Burma, to Sri Lanka, to India, to Pakistan. I will concentrate my remarks on India and Pakistan, if I may.

But before doing so, I would like to say just a word about Sri Lanka. It is that attention by the Congress to abuses in Sri Lanka, and particularly by this subcommittee which has kept a close watch, has been very helpful, indeed. Sri Lanka has a troubled human rights situation still, and Sri Lanka needs to be in the focus of your attention in the context of your foreign aid deliberations. But, the fact that you have done so in the past has been extremely helpful to the human rights cause, and I would thank you for it, and commend it to your attention for the future.

I am not going to be able to talk about the wide variety of our concerns at Asia Watch in India and Pakistan. We have heard much about the abuses themselves. I would simply note that I have covered these questions in my written testimony, and I have covered the question of abuses by militants, which was raised earlier in this hearing, and does need to be mentioned. The militant forces in Kashmir, and even more seriously in Punjab, engage in abuses against civilians. Many innocent people have died at their hands, and it is inexcusable.

The human rights situation in India has deteriorated very rapidly, as you have heard from previous witnesses. Rather than add my voice to theirs, except to say that it is all true and more so, I would like to turn in my short time to some questions of remedies and U.S. policy before turning to Pakistan.

The Indian Government is completely capable of addressing some of these really terrible abuses by taking some steps that it should have done a long time ago. The first thing the Indians can and must do is reign in these security forces. There are many, many—tens of thousands, maybe as many as 100,000 of these border security forces, BSF, in Kashmir, and they are widely regarded by all, including Indian military officials themselves, as being not the sole

architects of the disastrous human rights situation in Kashmir, but, certainly, the baddest actors amongst a group of bad actors. And the failure of the Indian Government to bring this force under control, the tolerance of the most extraordinary abuses of thousands of soldiers going on rampages, and raping, and killing, and burning, the simply turning away of the eyes from that situation, the refusal to change the command structure, begin prosecuting on a wide scale the abuses, rotate the troops out of there, get better training, any number of things the Indians can do and they simply refuse to do is inexcusable. Delhi has decided they will put those paramilitary forces up there to do the dirty work, and doesn't seem to be too worried when the dirty work, indeed, does get done.

So, the failure to do anything about that force is really quite significant, and it is the first thing Indian authorities would be addressing if they were serious about doing something about one of the really terrible human rights situations in the world.

Second of all, the guarantors of human rights in any country are its own human rights monitors. There is no substitute for an indigenous human rights movement. Kashmir has been in the past very fortunate that it had quite stellar human rights activities and monitors who made it their business to document, and take expert testimony, and bear witness to the suffering of their countrymen and women. Those people have been killed. There have been three human rights activities, two human rights monitors, the third, a political activist, who was also an extremely able human rights activist, who have been assassinated with no sign of interest on the government's part in terms of getting to the bottom of the crime. In all three cases, it has deprived Kashmir of its best hope in terms of protection by eliminating those brave men who put their own lives on the line to bring the news of abuses against Kashmiris to the outside world. The best sign of Indian concern by the Rao government about human rights in Kashmir would be swift and impartial inquiry into these deaths and immediate action to prosecute and punish those found to be responsible.

There is also an urgent need for international human rights monitors in Kashmir, and the Indian Government, unfortunately, has really dug in its heels about the presence of outside monitors. I am thinking here particularly of the humanitarian organization, the Swiss International Committee, of the Red Cross. It is worthy of note that the International Committee of the Red Cross, which has been seeking access to Kashmir for quite some time now, operates wholly impartially in conflict situations. They are there not to report to the outside world on abuses, such as we do. That is our job at Asia Watch. The Red Cross does not do that. They are there to provide services to the victims of conflict. That means victims on both sides of the conflict. Thus, if there are wounded soldiers or wounded policemen who require urgent medical attention, or who have been taken hostage by the opposing parties, the Red Cross is there to attend to their needs in times of conflict, as well as the needs of civilians in the conflict zone, and the needs of all parties.

The refusal of the Indian Government to deal seriously with the Red Cross's patient request is a troubling sign because it does indicate a lack of seriousness about addressing the abuses that the Red Cross could help with very much, indeed. I would also say that pro-

viding access to all human rights groups that wish to go there, including Amnesty International, is highly desirable. I hope to see some good news coming out of Amnesty's dialogue with the Indian Government at this time.

The suggestion of a political end to the resolution of the situation in Kashmir, takes me beyond my competence. My organization does not take a position on any such questions of independence, or partition, or anything else. But, I would say that you cannot separate the question of human rights abuses in Kashmir from the question of an eventual resolution to the conflict. You cannot treat those as two separate problems. You cannot have a political settlement when abuses continue at such a rate and accelerate at such a rate. It is absolutely certain that the alleged solution that was imposed in Punjab, which is to kill as many people as possible before you attempt to have some kind of elections, is exactly the wrong thing. It should never be considered a model for Kashmir.

Concluding with India, I would say that one way the United States could contribute to ameliorating human rights abuses would be to try to utilize some of the U.N. instruments that exist. India has a leadership role in the nonaligned community. I think the United Nations would present some real opportunities. The United States should get behind that.

Up until now, it is my understanding that the authors of some of the resolutions that come up at the U.N. human rights commission have been, of all people, the Pakistanis. I cannot think of a government less appropriate to be fronting resolutions about Indian human rights abuses in Kashmir than the Government of Pakistan which, itself, is implicated in the abuses by funneling aid to some of the more abusive amongst the Kashmiri militants, and a government which has a really quite disturbing human rights record of its own.

I do not think the U.N. human rights commission is going to take seriously resolutions about human rights in Kashmir that are fronted by the Pakistanis, but that is no reason why the United States, and our European allies, and others, could not, themselves, be looking for ways to approach the Indians through our U.N. instrumentalities. For example, the U.N., has four important working groups, the working group on torture, the working on disappearances, extra judicial executions and arbitrary detention, have all attempted to do work, carry out investigations, in Kashmir and the Indians do not permit that. That is very regrettable. It is very appropriate that the Indians should encourage international bodies of a good reputation such as the working groups to conduct appropriate activities in the area. The fact that India refuses is troubling, and the U.N. should take it up. If India continues to refuse to cooperate, something such as a special rapporteur should be considered.

But, again, I would rather see my own government or other disinterested parties be the ones to lead such an effort, rather than Pakistan, which has a very sorry human rights record. Some of those abuses have been mentioned here today, and I was pleased that the members were able to tease out after no little effort some indication of the State Department's concern about human rights in Pakistan and in India. It was discouraging to me that it took

about 2 hours to get there, but you, eventually, got them to say something on the record about human rights in both countries.

We have some of the very same concerns in Pakistan that Mr. Malott mentioned, in particular, abuses in custody. My testimony mentions in particular an inquiry that my organization, Human Rights Watch, the Asia Watch, in cooperation with our international women's rights project, has conducted about rape and other abuses of women in custody, which is a longstanding concern, and one which the Pakistani Government is doing exactly nothing to address. I have gone into that in no little length in my testimony.

In closing, I would say just a word about U.S. policy with respect to both India and Pakistan. There were two things said by the State Department that I found provoking. One was the notion that they were attempting to be very even handed and exercise no tilt, which sounds like a very laudable foreign policy goal, particularly at this moment of really high tension between the two powers on the subcontinent.

With respect to human rights, it seems to me you can have a no tilt policy either one way or the other way. One way is to say nothing about human rights in either country. That appeared to be the approach embraced by the administration until the Congressman and the chairman managed to pull something out of them rather better. That is the kind of even handedness that I think is really quite regrettable.

The other way to have an even handed and no tilt policy toward both countries is to be very outspoken about human rights in both places. That is the approach we would, of course, prefer. That is the approach of Asia Watch. I think that has been the expression from the Chair, and I would like to see it articulated much more fully.

In recent days, for example, the administration has been very vocal on the question of Pakistani assistance to Kashmiri militants, but has said nothing about abuses against Kashmiris by the Indians, and it has said nothing about human rights abuses within Pakistan. I think it would be a contribution to the human rights cause all around if they would become more forthcoming on those subjects as well.

Thank you.

[The prepared statement of Ms. Burkhalter appears in the appendix.]

Mr. ACKERMAN. Thank you very much. Now, let me ask what your response might be to Mr. Malott's comments on the Burton Bill.

Ms. BURKHALTER. We customarily don't endorse legislation *per se*. We are a nonprofit organization and it pains us to take, you know, a public posture on legislative matters. I would say, however, that as a means of pressure on any country, I have never been particularly attracted to using development assistance to try to force change.

I am, of course, aware that we have law, U.S. human rights law, that I take very seriously. Section 116 of the Foreign Assistance Act which my former boss, Mr. Harkin of Iowa, was the author of, that says that all assistance should be linked to human rights. But,

we see no particular evidence that the Government of India abuses its development assistance program, and I am never comfortable seeing the United States use development assistance as a human rights tool. Unless we have evidence that the aid, itself, is being used in an abusive manner, I have never been comfortable going after economic assistance.

I am intrigued, however, by Mr. Clad's suggestion that however the United States might want to approach this question, there may well be a far better leverage point with the Indians, and perhaps, with other abusive governments, at the World Bank. And we have U.S. law that suggests, that more than suggests, that orders, U.S. representatives to the banks to use voice and vote to direct resources away from the most abusive governments of the world. I think that would provide a very fruitful avenue for the administration to pursue.

Mr. ACKERMAN. Mr. Reiss, you had stated in your testimony with regards to the Pressler Amendment that as long as it remains in force in its present form, do you support it in a different form, or do you support it not at all, or—

Mr. REISS. What I was suggesting there is that I think it is imperative for both Congress and the administration to explore the possibility of either modifying or otherwise waiving the Pressler Amendment, but not unilaterally. I think that it is essential that we also remain faithful to our nonproliferation principles. I think there is an opportunity to use the Pressler Amendment in a creative way to try and advance the cause of nonproliferation with respect to Pakistan.

What I have proposed in other fora mentioned is to try to get the Pakistanis, and also, the Indians, to agree to a full-scope safeguards regime in South Asia. In order to do that, it seems to me that the Pressler Amendment has to be lifted. Even if both Pakistan and India agree to a full scope safeguards regime, Pressler would still prohibit U.S. economic and military assistance, to Pakistan, because full-scope safeguards would not address the actual language, of the Pressler Amendment.

I think that there are some other issues that we need to raise with both Pakistan and India in terms of carrots that would be part of this whole package. In particular, I have proposed cooperation on civilian nuclear technology. India's civilian nuclear program is in an absolute shambles. The Tarapur issue is going to resurface later this year.

Mr. ACKERMAN. So you would repeal it rather than doing something similar, with some other mechanism, vis-a-vis India?

Mr. REISS. Well, I would be very interested to hear of any other mechanism, again, that could advance the banner of nonproliferation in the region. I have heard many ideas proposed. It seems that the idea of capping or freezing the status quo is good as far as it goes, but it does not address congressional concern, which, of course, has been longstanding about preventing the spread of nuclear weapons in the region. I think that if Pressler is amended or repealed, you have to get something in return from it from the key parties in the region.

Mr. ACKERMAN. Mr. Clad, you proposed a formal partitioning of Kashmir.

Mr. CLAD. Yes.

Mr. ACKERMAN. Do you have any reason to believe that either the Governments of India or Pakistan would respond favorably to that solution?

Mr. CLAD. A good and tough question, Mr. Chairman, but I actually do believe that we operate at many levels in South Asia. We have formal and public postures which have been largely frozen for 45 years. We have also movements within the elite bureaucracies and military establishments of both countries, which, after all this time and effort, are acutely aware that they are frozen in a sterile conflict which absorbs scarce resources to no particular avail, that there is now room for movement.

In fact, the idea that I mentioned to you came initially from some very senior people working in the Prime Minister's and Foreign Minister's office in India, after having discussed it at a particular level with Pakistani foreign ministry people. This, of course, became a trial balloon, and it received the inevitable arrows from constituencies in both countries.

I am taking a long time to say yes. I think there is room for movement in the issue. I believe that if we were to not have any expectations of quick progress, something along those lines, which, I stress, is not a new idea, it was advanced by the British in the mediation effort in the 1960's, could, perhaps, hasten the day when we achieve the reduction of suffering and, perhaps, some kind of intermediate solution.

Mr. ACKERMAN. We have not really dwelt on the situation in Punjab. What do you judge is the current situation?

Mr. CLAD. Are you speaking to me?

Mr. ACKERMAN. We can go right across, if anybody can take a shot at it.

Mr. CLAD. Perhaps, I will begin. As a correspondent covering the Punjab, I felt that a number of dishonest comparisons were made between the Kashmir and Punjab situation. I felt that they were not warranted. Specifically, unlike Kashmir, the security forces in Punjab are overwhelmingly Sikh in identity. They profess a Sikh religion, unlike the security forces in Kashmir, which are largely Hindus.

Secondly, and unlike Kashmir, the portions of the Sikh population which are agitating for a second homeland, do not see any possibility of, for example, moving westward, unlike the Kashmiris which feel that part of their homeland is now under Pakistan control. In Pakistani Punjab, there is no home, as it were, for the Sikh community. They were expelled and moved out of there after 1947 in great bloodshed.

I think we are seeing some improvement in the Indian Punjab. There is the promise of elections there. I think that we should never underestimate the brutality with which the Indian Government has pursued its policy of suppressing the militant movement. But, at the same time, and without in any way intending of removing them from blame from this because it has been a very cynically applied policy, at the same time, the difficulty for the various Sikh Pantik committees—which purport to speak for the Sikh people—is that they are intensely quarrelsome. Much of the atrocity that

occurs in Punjab, at least to my understanding, occurs as a result of endeavors within particular militant groups.

Mr. ACKERMAN. Are the people in Punjab better off today than they were a year ago?

Mr. CLAD. I believe that the situation there, from what I hear from people, is slowly improving, that we are not having situations where militants enter trains or railway cars, buses, and open fire on people because of their assumed religious persuasion. In order to provoke draconian reaction from security forces.

Ms. BURKHALTER. Just to add a moment, I am not the Punjab expert that Mr. Clad is, but it would be a mistake to leave the impression that the government abuses have ended in the Punjab, or the militant abuses of the type he has just described are over either. The Punjabi militants, for example, have a virtual policy of assassinating family members of police, as well as the police themselves, etcetera. These things to continue to go on, and there are hundreds of civilian casualties every year.

The government has not changed its fundamental approach. No one gets prosecuted for abuses carried out in Punjab, whether they are Sikh policemen, soldiers or whoever they are. It is the same policy of impunity that characterizes the Kashmir conflict. In that regard, in view of the virtual impunity of the security forces in Punjab, as in Kashmir, I do not see a fundamental difference.

I might add that one of the most disheartening developments in India was the passage several years ago of a bill that basically provided amnesty to any agent of the state in these conflicted areas in advance, which is virtual invitation to these soldiers and policemen to commit abuses, knowing in advance they can't be prosecuted for them. I mean, it has been a license, and that license has been used extravagantly in both conflicts, and elsewhere in India, I might add, such Assam.

Mr. CLAD. Yes, I agree with that.

Mr. ACKERMAN. How strong and how widespread is the sentiment for an independent Khalistan?

Mr. CLAD. I believe that the movement over the years has become profoundly fractured as a result of this cynically employed policy that I mentioned to you a moment ago. I think that the policies of former Prime Minister Indira Gandhi, for example, in particular, elicited the type of militant movement that they now have to contend with, and have contended with very brutally over the years.

The foolish policies of the central government of India I believe are largely responsible for the difficulties in the Punjab, and have created, in part, over the years, for a narrow short-term political reasons, the monsters that they then have had to employ all means to suppress. I think that the movement for Khalistan is largely confined to the Sikh Jat community, which is largely the farmers in the rural areas, but it is created by, as I say, the policy of the government itself which fosters a large degree of ignorance among the public as to who exactly the people are who come to visit homes late at night and behave brutally.

So, I don't think that the movement for Khalistan—to give you a straight-from-the-shoulder answer—enjoys even majority support, if you count all the population within the Indian State of the Pun-

jab. But, I don't know. What do you think? I know the gentlemen behind me are less than pleased with that answer, but—

Mr. ACKERMAN. We will not record their responses. What changes in U.S. law, if any, would any of you advocate with regard to South Asia? I mean, if you had the votes, what would you do today?

Mr. REISS. Mr. Chairman, as I stated earlier, I think that it is important that Congress and the administration explore the possibility of modifying or eliminating the Pressler Amendment. To many people's minds, Pressler has not worked. Viewed in other ways, it seems to me that you could invoke Senator Aiken's comment on the Vietnam War, and declare victory, and go home.

The Pakistanis, it seemed to me, were not going to stop short of acquiring a nuclear weapons capability during the 1980's, regardless of what we did, except with the possible exception of a security alliance with the United States. Pressler appears to have constrained their activities since 1990. In that sense, it has been somewhat influential. As far as a sustainable longer term policy, it is unclear to me how intelligent continuing Pressler is in its present form.

Mr. CLAD. Legally, I see very little need for specific changes in statutes. I would urge, really, much more attention be given to the caliber and the type of staffing, and our diplomatic missions there, to enhance the prospects of what I regard, and I said earlier, as a very significant opening market. I think, long-term, our relationship with India depends on that burgeoning economic relationship. I believe that specific changes of law are probably not required.

Ms. BURKHALTER. I don't speak, of course, to the nonproliferation issue. And I don't have specific legislative recommendations for South Asia alone. I do have lots of what I think are pretty good ideas about possible changes to the generic human rights laws that govern U.S. aid, or should govern, U.S. foreign aid, that I would like to talk to you about further down the road, that would apply not just to South Asian foreign aid recipients, but to other countries in the world. I am doing a lot of thinking and a lot of talking with other human rights activists about that, and I would like to get back to you on it.

Mr. ACKERMAN. We would appreciate that. Looking 5 years down the road, should we or should we not expect there to be more members of the United Nations from South Asia?

Mr. CLAD. Five years?

Mr. ACKERMAN. Yes.

Mr. CLAD. No.

Mr. ACKERMAN. No.

Ms. BURKHALTER. I have to pass on that one, Mr. Ackerman.

Mr. ACKERMAN. No, pass, pass—10 years? [Laughter.]

Mr. CLAD. If you push my arm very far up my back, you give me 15 or 20 years.

Mr. ACKERMAN. You should have been on the floor 10 minutes ago.

Mr. CLAD. But that is your job. You get paid for it.

Mr. ACKERMAN. There are a lot of people in that posture. [Laughter.]

Mr. CLAD. I tend to feel that India ultimately cannot retain Kashmir. The type of thing that I was outlining to you is something that is ultimately intermediate by way of a solution. Just possibly, also, the northeast of India, may split off—it doesn't feel the same cultural resonance as the rest of India. But I dissent and depart sharply from views that India is likely to break up. I don't think that is going to happen. India is a transcendent idea, as much as it is a country, and I think it will retain its present shape for a long time to come. Pakistan, of the two countries, incidentally, Mr. Chairman, I believe faces more immediate difficulties as far as national cohesion.

Mr. ACKERMAN. Let me thank all three of you for your participation. You have been very, very helpful to us in our deliberations. We and the staff will look forward to maintaining a relationship and tapping into your areas of expertise. Your presence and participation in donating this full day in the interest of helping to develop and understand our national policy is very much appreciated. Thank you very much.

The hearing stands adjourned.

[Whereupon, at 5:47 p.m., the subcommittee was adjourned.]

U.S. ASSISTANCE TO EAST ASIA AND THE PACIFIC

THURSDAY, MAY 6, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
Washington, DC.

The subcommittee met, pursuant to call, at 2 p.m., in room 2255, Rayburn House Office Building, Hon. Gary L. Ackerman (chairman of the subcommittee) presiding.

Mr. ACKERMAN. The subcommittee is called to order. The subcommittee meets today in open session to consider the U.S. foreign policy and United States' assistance to East Asia and the Pacific.

As we approach the turn of the century, there can be no question that the United States' interests in Asia and the Pacific will not be subordinate to any other region of the world.

We wish to help formulate policies which promote regional stability. We also desire a fair and favorable balance of trade with each and every one of the nations in East Asia and the Pacific Rim. These objectives will be paramount in determining the direction of our policies toward those nations.

As Assistant Secretary Lord noted in his confirmation testimony before the Senate Foreign Relations Committee, the East Asia and Pacific Rim nations represent the world's largest consumer market, as well as our largest export market.

As this subcommittee examines U.S. policy toward East Asia and the Pacific, we face a number of vexing problems and questions. We hope that the two outstanding panels of witnesses that we have today will help us meander through some of these problems.

First and foremost, we must advocate policies which will promote regional and political stability and economic competitiveness for the United States. It is in that context that we intend to craft our recommendations for security assistance.

Permit me to express, at this time, my concern and displeasure at not yet receiving a specific request from the administration for fiscal years 1994 and 1995. It is very difficult to ask some of the right questions, and equally difficult for our witnesses to give us highly accurate answers, without specific numbers before us.

Nevertheless, we recognize that the witnesses before us today are not responsible for the inability to speed up the process of determining foreign assistance levels. The subcommittee will, for the record, request that the complete "all spigots" foreign assistance numbers be provided to us as soon as they are ready.

[The prepared statement of Mr. Leach follows:]

STATEMENT OF HON. JAMES A. LEACH

Thank you, Mr. Chairman. On behalf of the minority, I would like to extend a very warm welcome to Assistant Secretary Lord. I would also like to give a special welcome back to our esteemed former chairman of the subcommittee, Steve Solarz.

I have some remarks on overall U.S. interests in East Asia and the Pacific, as well as recent disturbing developments on the Korean Peninsula and in Cambodia, which I would ask to be made a part of the record.

The end of the cold war and shifting power relationships in Asia present the United States with both new challenges and opportunities in the Pacific Rim.

The challenge is to reassure friends and allies that the new administration's East Asian policy will maintain important aspects of continuity and predictability; the opportunity is to strengthen linkages between America and the Pacific Rim by constructing durable and effective multilateral frameworks for cooperation on regional security issues as well as economics.

Geoeconomically, it is time to craft an economic strategy for region as a whole. Thus I would hope the United States will extend high-level support for developing the Asia Pacific Economic Cooperation (APEC) process, which holds the promise of effectively advancing U.S. interests in promoting market-oriented open multilateralism in the Pacific Rim.

Geostrategically, the end of the cold war has not diminished the importance of the U.S.-Japan security alliance, which remains a bedrock of regional stability. Nevertheless, it is in the U.S. national interest to help expand Japan's role in international institutions, such as at the United Nations, in international peacekeeping activities like Cambodia—where two Japanese have been among several U.N. employees tragically killed in recent weeks—in the international financial institutions, and in actively supporting the multilateral trading system and the imperiled Uruguay round.

Few developments could cause greater instability in Asia than a breakdown of relations between the United States and China. All members understand that our relationship is heavily burdened by important U.S. concerns on proliferation, trade, and human rights. Yet Congressional action that jeopardizes normal nondiscriminatory trade could profoundly undercut a bilateral relationship which could be a key to not only to economic and hopefully political reform within China, but international peace, stability and prosperity in the 21st century.

In a very troubling development, stability in Northeast Asia has been imperiled by North Korea's recent withdrawal from the NPT and its unprecedented challenge to the international nonproliferation regime. The United States has no choice in these troubling times except to stand firm with our ally in Seoul in a joint commitment to peace and security on the Korean peninsula.

My sense is the international community has no desire to corner Pyongyang or encourage it to contemplate desperate action. But North Korea must understand that if it does not reverse this extremely unfortunate decision, it will have jeopardized any hope of ever joining the family of nations and any prospect of establishing closer relations with the United States.

Another very difficult circumstance has been slowly developing since last summer in Cambodia, when the Khmer Rouge refused to disarm and subsequently opted out of the electoral process. At the present time an escalating climate of violence, first by the Phnom Penh regime against political opponents and now by the Khmer Rouge against Vietnamese civilians as well as UNTAC itself, appears to have put the U.N. plan and May elections seriously in peril.

I am not going to second guess the U.N. approach. On the contrary, the Paris Peace process has been of crucial significance in facilitating the withdrawal of key external actors—particularly China—from the Cambodian proxy war. Arduous as the task may be, the U.S. and international community need to remain committed to the U.N. effort to facilitate peace and reconstruction in Cambodia. We cannot walk away from a history driven problem; we cannot desert the Cambodian people. I look forward to the administration's thinking on this vexing problem.

Finally, in the context of the importance of multilateralism in an Asian context, I would like to raise the issue of New Zealand. Given that the United States and New Zealand share a common experience in the two great wars of this century, common values, and common interests on a vast spectrum of international concerns, I would hope that the administration would give very serious consideration to lifting current restrictions on official dialogue with our former ANZUS ally. Increased contact would help ensure that we have Wellington's support on issues of importance to Washington, and could contribute to a more informed public debate in New Zealand on the importance of our past security relationship and an eventual resolution of the nuclear problem.

We look to our witnesses today to give us the big picture of U.S. involvement, assistance and policy toward the East Asian and Pacific nations. In that context, we wish to examine policies which might bring about a resolution of the dispute between North Korea and the IAEA.

Your views on the crisis in Cambodia and what policy should be in the aftermath of whatever sort of election takes place; U.S. and political and economic interests in Southeast Asia; the U.S./Japanese relationship; and the equally vexing problem of most favored nation status for the People's Republic of China, as well as what sorts of military programs we are supporting in the region, and any other issue the witnesses wish to speak to.

On the first panel, we welcome before the subcommittee for the first time the Honorable Winston Lord, Assistant Secretary of State, Bureau of East Asian and Pacific Affairs. Ambassador Lord has a very distinguished record of service, both in the public and private sectors. And I wish to personally thank him for his consultations and availability to discuss important matters with me and other members of the committee and the Congress. He indeed has my greatest admiration, and I wish him the best of luck in his new capacity.

He is joined today by Mr. George Laudato, Acting Assistant Administrator of the Bureau of Asian Affairs at the Agency for International Development. We welcomed Mr. Laudato and heard his thoughtful testimony last week during this subcommittee's hearing on South Asia.

And finally, we welcome Mr. Glenn Rudd, Deputy Director, Defense Security Assistance Agency. Welcome to you, Mr. Rudd, and to all of our witnesses.

Mr. Secretary, if you would care to begin in any manner you see fit.

Let me first, if you will, turn to our dear colleague, Mr. Faleomavaega.

Mr. FALEOMAVEGA. Mr. Chairman, thank you. I want to certainly welcome our witnesses to testify before the committee today, especially Secretary Winston Lord and my good friend, the Honorable Stephen Solarz. He is the distinguished former chairman of this committee, a man whom I greatly respect.

As America and the countries of the Asia-Pacific prepare to leave the Twentieth Century, the world has changed at a frantic pace in so many mind-bending radical ways. Of particular import has been the cessation of the cold war. This has mandated that the United States dramatically reassess her policy, not only in Europe, but more importantly in the Asia-Pacific region.

Secretary Lord and Chairman Solarz agree that this decade is truly the beginning of the Pacific century. Countries of this part of the globe shall play an increasingly crucial, pivotal role in the economic, political, strategic and security needs of not only our own country, but of the world as well.

I have for years, Mr. Chairman, advocated that the United States has an unhealthy fixation with the affairs of Europe and the North Atlantic. This is unfortunate, as it has resulted in America's failure to pay proper attention to the countries of the Asia-Pacific region. With the breathtaking, staggering boom in the Asia-Pacific

economy, America had increasing investment ties there, last year at \$62 billion with well over 2 million American jobs dependent on the Asia-Pacific region. Additionally, the change in the security equation in the Pacific with the reduction of U.S.-forward deployed forces at a time when a number of Asian Pacific countries are increasing military budgets and are embroiled in arms races involving conventional and nuclear technology, mandate our attention.

It is clear that America must rethink her position, readjust her priorities, and develop new policy. The future of the United States, also a Pacific nation, lies in the Asia-Pacific region, in my humble opinion, Mr. Chairman. And I certainly look forward to hearing the testimony from our witnesses this afternoon. Thank you.

Mr. ACKERMAN. Thank you very much, Mr. Faleomavaega. Ambassador.

STATEMENT OF WINSTON LORD, ASSISTANT SECRETARY FOR EAST ASIA AND THE PACIFIC, DEPARTMENT OF STATE

Mr. LORD. Thank you, Mr. Chairman, and thank you for your kind personal comments and greetings, also, to the Congressman.

With your permission, I will read extensive excerpts from my testimony, but I will not read the whole text, in order to save more time for my colleagues, and also questions and answers, including on the issues that you mentioned at the outset, all of which are very important. But I would like to submit the entire statement for the record, if that is agreeable.

Mr. ACKERMAN. Without objection, your statement is submitted in its entirety for the record, as is the opening statement of Congressman Jim Leach, our ranking member, who regrets not being here, but has another hearing that he is participating in.

Mr. LORD. I have read Congressman Leach's, I think very thoughtful and excellent statement, by the way. And anything I leave out is not to diminish its importance; it is just to try to save us some time.

I welcome this opportunity to appear before this committee and share with you my ideas concerning the direction of U.S. policy toward East Asia and the Pacific, and how our modest economic and security assistance programs contribute to achieving our goal.

During my confirmation process I made a personal pledge to maintain regular consultations with this committee, its members and your staffs. I respect the integral role that you must play in our foreign policy toward the region. These hearings reflect the first of many steps in our common journey.

As this is my first appearance before this committee as Assistant Secretary, I would like to outline some of the broader context for the issues we are discussing here today.

First, the importance of the region. As I noted in my March 31 confirmation hearing statement, there is no region in the world today that is more important for the United States than Asia and the Pacific. And looking ahead to the Twenty-First Century, no region will be as important. The region contains the world's fastest-growing and most dynamic economies. My statement then gives some illustrations concretely of that phenomenon.

President Clinton has declared our domestic economic renewal as his highest priority. Certainly no region of the world is more cru-

cial in this regard than Asia and the Pacific. We also continue to have abiding security interests in Asia, in this post-cold war period, as the Representative was pointing out. With the closure of U.S. bases in the Philippines, we have detected some concern in the region that the United States may be losing interest in Asia.

It is important for our national interests to demonstrate, not only by reassuring words, but by concrete actions, that the United States intends to remain firmly engaged in Asia and the Pacific, economically, politically, and in a positive security role. We will maintain the foundations of our mutual security agreements with Japan, Korea, the Philippines, Australia, and Thailand, and a substantial military presence. And we are prepared with others to explore through dialogue and consultations new Asia-Pacific paths toward security.

In my confirmation hearing I outlined 10 major goals for American policy in Asia and the Pacific. Permit me just to reiterate them very briefly:

- Forging a fresh global partnership with Japan that reflects a more mature balance of responsibilities;
- Erasing the nuclear threat, and moving toward peaceful reconciliation on the Korean Peninsula;
- Restoring firm foundations for cooperation with a China where political openness catches up with economic reform;
- Deepening our ties with ASEAN as it broadens its membership and scope;
- Obtaining the fullest-possible accounting of our missing in action, as we normalize our relations with Vietnam;
- Securing a peaceful, independent and democratic Cambodia;
- Strengthening APEC as the cornerstone of Asian-Pacific economic cooperation;
- Developing multilateral forums for security consultations, while maintaining the solid foundations of our alliances;
- Spurring regional cooperation on global challenges, like the environment, refugees, health, narcotics, nonproliferation, and arms sales; and
- Promoting democracy and human rights where freedom has yet to flower.

Now, achieving these objectives will certainly be a challenge, but one, with your support, we relish. We will use a variety of means to pursue them, tailored to the individual situation.

One important foreign policy instrument—and that is why we are here today—for achieving these goals remains our modest economic and security assistance programs in Asia and the Pacific.

That is the context. Now let me get into the assistance issue more concretely.

In a very real sense, Mr. Chairman, the Asia Pacific region has been a major success story for the U.S. Foreign Aid Program. Many of the countries of the region which once received substantial U.S. assistance have long since graduated from the ranks of recipients. Some, such as Japan and Korea, are today major contributors themselves of international economic and humanitarian assistance.

The economic success of many of the countries of Asia is attributable in part to carefully targeted U.S. economic assistance, buttressed in some instances by specific security assistance. The U.S.

forward-deployed military presence contributed, and I would add continues to contribute significantly, to the Asian economic boom by providing the stability essential for economic development. The success of our Asian assistance program is perhaps best demonstrated by the fact that our overall assistance to the region has been reduced significantly. And indeed, some former recipients are challenging us vigorously in the marketplace.

As a result of such progress, and mindful of the need to set rigorous budget priorities, over the past 5 years U.S. assistance to East Asia and the Pacific has been reduced from approximately \$680 million in fiscal year 1988 to approximately \$268 million in fiscal year 1993. Now, these figures refer to ESF and FMF, IMET, and Development Assistance. I then give other examples of how our aid levels have been going down, which I think is only natural given the economic dynamism of the region.

But even given these reductions, if the region has been so successful economically, how can we justify continuing to provide any economic and security assistance to countries in Asia and the Pacific at a time when some American taxpayers are hard-pressed to meet their own families' needs, budgets are tight, and President Clinton has declared the economic renewal of the United States as its highest priority.

Why does this area of economic dynamism continue to need our assistance? The answer, Mr. Chairman, is that while the outline I sketched of Asia's remarkable economic performance is accurate, that dynamism is not uniform throughout the region. There remain some countries which, while making progress, continue to need carefully targeted assistance to enhance their own efforts.

Our modest program of development assistance, and in some instances of economic support funds, is directed to those particular situations.

In addition, our small IMET program, slightly more than \$5 million in fiscal year 1993, is also very important. And I give some of the reasons here, and I will return to that later in my statement.

Overall, while recognizing the need for austerity at a time of severe budget pressures, the administration believes that the modest programs that we have for selected countries and purposes in Asia and the Pacific are a sound investment for the United States.

In my remaining time, Mr. Chairman, let me take a few examples of our assistance programs which illustrate while we think this is a sound investment. And the ones I leave out are also, of course, important, but I wanted to illustrate with a few key ones.

First Cambodia, one of the issues you, yourself, cited in your own opening remarks. One of the most complex and central tasks for our Asian policy is to help provide the long-suffering Cambodian people with a brighter future. I then, in my statement, go through the tragic history and the efforts of the United Nations' transitional authority to bring about fair and free elections, and a little bit about our past assistance.

Now, there has been a lot of rather grim headlines recently about the violence that is taking place in Cambodia, particularly coming from the Khmer Rouge. However, I do not think we should lose sight of some impressive achievements. And my summary statement records some of these. Some 360,000 refugees have returned

from Thailand, almost all of them. Roads have been demined and repaired. Some 95 percent of the eligible voters have been registered, 20 political parties have registered to participate in the elections. And we still strongly support this process, and hope the elections, which will take place May 23 to May 28, will be as wide-ranging and as representative as possible.

Our commitment to Cambodia, however, will not end at that time. The future elected Cambodian Government will be hard-pressed to deal with Cambodia's enormous economic and social problems, and most probably Khmer Rouge intransigence.

In Tokyo, in June, 1992, the international community, including the United States, pledged it will provide urgently needed assistance to the fledgling government to help it institutionalize the democracy which the U.N.-assisted elections is intended to implant in Cambodia's troubled soil.

We are very concerned, Mr. Chairman, by the recent acts of disruption and violence, again primarily by the Khmer Rouge, which threaten to harm the election process. We are trying to check this violence, working with others, and help ensure a free and credible election.

Even more is at stake in Cambodia than the fate of that country and regional security. Given the UNTAC deployment—the largest peacekeeping operation in the history of the United Nations—we face a crucial test of multilateral peacekeeping by the international community. We must not fail.

Next I single out the Philippines. When we had military bases there, the country was among the top recipients of U.S. assistance around the world. It is still our largest recipient in Asia. But with the closure of the bases, the end of the cold war, and additional U.S. budget constraints, this assistance to the Philippines has been reduced greatly. It remains a very important country to the United States, a treaty ally struggling to fulfill democratic aspirations and to develop economically in the face of daunting challenges, including continued insurgencies, and I might add frequent natural disasters.

We have long traditional ties with the Filipino people and the country. The democratically elected Philippine President is continuing to implement needed economic reforms. We believe continued American assistance, developmental as well as security-related, is essential. We must help the Philippines successfully consolidate its fragile democratic institutions, and continue to execute the economic reform program directed at putting the Philippines' economy on a sustainable growth path.

An important engine of Philippine economic and social development has been the multilateral assistance initiative. My statement then explains the background of this, its contributions, and our continued dedication to it. I urge the Congress to continue to support U.S. contributions to the MAI.

Next I purposely singled out Mongolia in this statement. It might appear to some it is remote, what are our interests there. Very simply, U.S. interests in Mongolia reflects American support for emerging democratic and market-oriented nations around the world. This is a transition period we are seeing in many parts of the world since the late 1980's.

In 1990, Mongolia broke from the Soviet orbit and was the first, and I guess so far only, Communist Asian nation to throw off Communism. Since then, Mongolia's Government and its people have proven their commitment to democracy and a market economy. Despite the difficult transition, the government continues along the path of reform.

Mongolia is sandwiched between Russia and China, two giants engaged in their own process of reform. A prosperous market-oriented democratic Mongolia will have a positive effect across its borders. And a successful transition to democracy and a market economy in Mongolia will provide a positive example for other countries struggling to overcome decades of political subjugation and economic mismanagement.

Continued U.S. support provides tangible proof that we match our pro-reform words with concrete deeds for countries which accept the democratic challenge.

Finally, I single out the South Pacific because of its inherent importance. And I know our representative here today is particularly interested in this subject.

Far to the south of Mongolia, the island countries of the South Pacific are pursuing market-oriented policies as they attempt to develop their promising resources and improve the well-being of their people. I then cite some of the programs underway, and some of the efforts we are trying to make. This includes not only setting up the U.S. Pacific Island Joint Commercial Commission, but also I point out our aid program generally, which my colleague will go into greater detail on, and the fact that AID administers project support under the South Pacific Fisheries Treaty, which guarantees us access to some two-thirds, I believe, of the world's tuna resources.

Finally, a note on IMET programs. I would like to underscore their importance. Even though they are very modest—only slightly more than \$5 million in fiscal year 1993. This administration is strongly committed to democratic development and increased respect for human rights. While East Asia and the Pacific now contain some of the world's fastest-growing economies, it also has a number of developing democracies, some with historical legacies of extensive military involvement in the political process.

IMET programs are designed specifically to bring foreign military and civilian government leaders to the United States for military training, during which they experience the American way of life. And this exposure to human rights and democracy, civilian control, I spell out a little bit more in my statement. And I underline the importance of this program.

In conclusion, Mr. Chairman, I think all of us can take satisfaction in the returns which our small foreign assistance investment in East Asia and the Pacific is providing to the U.S. economy, to our commitment to democratic values and human rights, and to support for the continued U.S. military presence in East Asia.

In addition, individual development assistance programs in Asia also address some of the critical global issues, such as environmental degradation, the AIDS scourge, population pressures, and narcotics.

In my confirmation statement I stated that "today a Pacific community is a vision; tomorrow it can become a reality." This genera-

tion of Americans owes it to the labors of those who came before us, and the hopes of our successes, to help build a new Pacific community.

Mr. Chairman, I believe that the resources that this committee authorizes are important both for the successes which I have outlined above, and for our hopes for a more democratic, peaceful, and prosperous Pacific community. I pledge to you my personal commitment and energy to help move toward that goal.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Lord appears in the appendix.]

Mr. ACKERMAN. Thank you. And thank you for that very comprehensive statement.

There is a vote in progress in the House. And rather than having you begin and interrupt in the middle of your statement, I think that we will take a brief recess here, go down to the floor, and be back in a few short moments.

[Recess.]

Mr. ACKERMAN. The subcommittee will come to order. Sorry for the interruption.

Director Rudd.

STATEMENT OF GLENN A. RUDD, DEPUTY DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

Mr. RUDD. Thank you, Mr. Chairman. I have a prepared statement I would appreciate if you would submit for the record.

Mr. ACKERMAN. Without objection, your complete written testimony will be placed in the record. And you may proceed in any fashion that you would like.

Mr. RUDD. Thank you. I will give a very short summary of our thinking.

First of all, I would like to echo the favorable comments that Secretary Lord made with respect to the IMET program. We have always believed that IMET is an important tool for exposing foreign students to democratic values in a military setting.

To add to that, beginning in fiscal year 1991, we expanded the IMET program so that it now provides focused education on civilian control of the military, effective military justice systems, and defense resources management. It is available to foreign national legislators and civilians from nondefense ministries, as well as traditional IMET pool of military and civilian defense students.

It seems to me that the U.S. willingness to retain foreign military presence in the region is almost a self-evident indication of the importance of the region. And also for the need to keep strong military and military relations. And in that sense, we believe that the IMET program over the years has been very successful in keeping such relationships with the Pacific Rim countries.

The importance of IMET was recently expressed by Admiral Larson, the Commander in Chief of the Pacific Command, as you know, when he stated that IMET is a cornerstone of CINCPAC's security assistance effort in the Asia-Pacific region. He went on to say that through IMET, we create new friendships and strengthen alliances, while simultaneously promoting good will, trust, and mutual confidence.

And these facets of the program serve us well because IMET participants often rise to important civilian and military leadership positions in their governments. When they achieve positions of prominence and influence, there is a great potential for U.S. influence in the decisionmaking process of the nations.

On a different subject with respect to the region, I would also like to note that our friends and allies in East Asia represent an extremely important market for U.S. military products. Most defense budgets in the region are under pressure, as they are here and in Europe. But budgets are reducing more slowly, and in some cases not at all.

During fiscal year 1993, we expect to record more than \$10 billion of foreign military sales to friends and allies in the region. This will reduce in future years, but it still will remain an important market. And I stress this is our friends and allies to whom we are selling.

It is interesting and somewhat ironic that when I came into government in 1960, virtually all those purchasers of that \$10 billion were recipients of grant military assistance from the United States.

In conclusion, the close military and economic relationships between the United States and East Asia have served, and we think continue to serve, both parties well. The end of the cold war may change the nature of methods used to further the relationships, but we see no reason why it would diminish the relationships themselves.

The security assistance in military sales programs have been basic tools to achieve contemporary national security and foreign policy objectives of the United States.

As Secretary Lord indicated, our security assistance program request for the region has been sharply reduced from previous years. But we nonetheless look forward to continuing those assistance and sales programs which we believe beneficial to advance our interests in the region.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rudd appears in the appendix.]

Mr. ACKERMAN. Thank you very much, Mr. Rudd.

Mr. Laudato.

STATEMENT OF GEORGE LAUDATO, ACTING ASSISTANT ADMINISTRATOR FOR ASIA BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. LAUDATO. Thank you, Mr. Chairman. Mr. Chairman, members of the committee, it is once again a pleasure to appear here today to talk about the programs that the Agency for International Development administers in East Asia and the South Pacific. I have submitted a complete statement for the record describing our programs in the region, and hope that could be entered.

Mr. ACKERMAN. Without objection, your entire testimony will be placed in the record.

Mr. LAUDATO. I would like to take this time to make a few brief remarks which I hope will put AID's programs into perspective in the region.

Ambassador Lord has explained why the region is important to the United States. He has also described the economic miracle that

is unfolding in East Asia, and has advanced the idea that our ties to this region should, and hopefully will, be closer and more mutually beneficial in the future.

Throughout the region, economic success has been the product of sound economic policy, conservative debt management, open trade regimes, and provision of basic social services, including health and education. We can take pride in the critical role that the U.S. assistance program has played in all of this, especially reducing population growth, providing child health services, increasing agricultural production, promoting the right macroeconomic policies, creating an interest in sound economic management, and stimulating the development of local nongovernmental organizations to empower individuals and communities to address economic and social issues.

Even in the face of success, however, there remains an important role for U.S. assistance. That is, we need to continue to support these countries in their efforts to create the institutions which convert good policies into broad-based, sustainable, equitable economic growth. Also, despite rapid growth, the rapid growth of these countries, serious pockets of poverty remain throughout the region.

In addition, there is a compelling need to address transnational issues and problems like environmental degradation and the spread of AIDS. Continued progress needs to be made in reducing population growth. Likewise, we also have an important stake in encouraging democratic principles, good governance, and the protection of fundamental human rights in the region.

Our assistance programs in East Asia and the Pacific deal with these issues. They are the issues of the future. If we do not deal with them today, countries which are now economic success stories will flounder and fail. The cost of such a scenario in human terms would be tragic.

In East Asia we are also assisting countries which are moving along that historic path from centrally planned socialist economies toward open, free-market economies. In such countries—namely, Cambodia and Mongolia—we are providing technical assistance and training to promote free markets and democratic policies. We are also rehabilitating basic infrastructure where badly needed.

Because of the economic success of East Asia, we have the opportunity to refine the assistance relationship to one of partnership. That is, the direction we are moving in all of our programs. Relatively small amounts of assistance can leverage resources from both the public and private sectors, both in Asia and in the United States. In this way we can continue to promote U.S. interests, U.S. technologies, U.S. ideas and values, with a smaller assistance budget. We can do this and still have an impact, despite the magnitude of the problems and the size of these countries. We should take advantage of these opportunities.

The 21st century will be the Pacific century. Promoting equitable and sustainable growth, reducing the potential for major AIDS epidemics, curtailing the rampant destruction of the environment, promoting democracy and human rights are what we are doing today. And what we do today, I have no doubt, will pave the way for a better tomorrow, both at home and in Asia.

Thank you.

[The prepared statement of Mr. Laudato appears in the appendix.]

Mr. ACKERMAN. Thank you very much. I thank the entire panel for your testimony.

A few general questions. If I might start off with: Ambassador Lord, in your testimony you stated, as part of the goals, the first one that you listed—and I do not know if you have done this in order of priority, but nonetheless—you listed forging a fresh global partnership with Japan that reflects a more balanced, more mature balance of responsibilities.

Does that mean we will be pressuring Japan?

Mr. LORD. Well, I do not like to use the word pressure. I would say negotiating, encouraging. What it means is the following. That the nature of our partnership inevitably will change now that the cold war is over, and the world has been changing. It remains our most important partnership in Asia, if not in the world.

But as was reflected in the President's meeting with Prime Minister Miazawa, we believe that this partnership has to be somewhat redefined. The security aspects, the political aspects, the global aspects of this wide-ranging relationship with Japan remain essential and very important. And indeed, we hope we can deepen those aspects.

But the economic dimension has taken on new urgency. And if perhaps sometimes during the cold war some economic problems were not pursued quite as vigorously as they might have been because of security and other considerations, that has changed now. It does not mean that the other aspects are not important, but it does mean we have a sense of urgency.

And so we are trying to lay out a new kind of relationship over the next several years. The Prime Minister's visit here was the first step in that. The July 7 G-7 summit which Japan is hosting will also include bilateral discussions between us. And we hope to make progress.

More specifically to your question, in the economic area we have to get at these persistent imbalances, both of a global nature and a bilateral nature. We hope to do that cooperatively with Japan, setting up a framework for negotiations. And without taking too much longer on this particular question, let me just say that the economic issue has to be addressed on several fronts.

We have to get our own house in order. And the President's domestic renewal, particularly reducing our deficits, we think heads in that direction, make us more competitive. The Uruguay round is important, APEC is important. And then with respect to our bilateral dimensions, macroeconomic stimulus by Japan over several years. And then we have sector and structural negotiations, as well, that we have to pursue. So there is a wide range of areas where we can make progress in this area.

Thank you.

Mr. ACKERMAN. Both you and Mr. Rudd suggested the importance of IMET. Was our funding of IMET in the last cycle adequate?

Mr. LORD. I will let Mr. Rudd also answer that. I really do feel this is a very good investment for the reasons that both I and Mr. Rudd said in our opening statements. We have not reached figures.

As you say, it is unfortunate for this hearing, but we do not have figures today for it. So I cannot preview the exact request.

But I feel, frankly—this is more of a personal statement, looking at past levels—that \$5 million for the whole region for this program is very modest, indeed. I think there are areas there we might wish to spend a little more. I yield to no one in my concern about our budget pressures. But just a few million dollars pays very large dividends for the regions we cited. But Mr. Rudd may wish to add to that.

Mr. ACKERMAN. The fiscal year 1993 request was \$5 million?

Mr. RUDD. I cannot remember the exact amount of the request. It was in that neighborhood. We received \$43 million half worldwide, and I believe it was roughly five for East Asia. And of course, you can only look at it in a worldwide context.

It is difficult to say, because the world is changing. We have reduced, as you know, Mr. Chairman, the IMET programs for what we call high-income countries, such as Korea now fits that definition. But on the other hand, we have a great many IMET programs now with former states of the former Soviet Union.

So we are in a transition phase. We have not yet set up the fiscal year 1994 budget. All I can do is request that the Congress approve the amount requested in the 1994 budget worldwide, and we will make sure that East Asia gets its share.

Mr. ACKERMAN. The reason I bring it up is because it is a—we spent an awful long time supporting it in both statements. Yet, it is a very, very small amount for, in dollars, for this or any region. I guess if we doubled it, it would not bust the bank. And if we zeroed it out, it would not get us too far in the general scheme of things.

Do you have any idea as to whether we would be increasing or decreasing any of the lines significantly for any of the programs?

Mr. RUDD. For 1994?

Mr. ACKERMAN. For 1994.

Mr. RUDD. I think it would be roughly the same. And we have not got the final budget up here yet. So once again, I have trouble with it. It will be roughly, we think, about \$5.2 million. Last year it was \$5.07. So roughly the same amount.

Mr. ACKERMAN. You are talking about IMET.

Mr. RUDD. Yes, sir.

Mr. ACKERMAN. No, I am talking about the other programs, whether or not—I mean, I inferred from your statement strong support for IMET in the relatively small amount, that it would be roughly the same. But for the other programs, will they be roughly the same? Or will there be any significant differences in either direction? Or do we not know that yet?

Mr. RUDD. The only other security-assistance-related program that I would expect that would be requested for the region, military security assistance, would be for the Philippines. The only grant military assistance in the whole region that would be requested would be the Philippines.

Mr. ACKERMAN. And nonmilitary?

Mr. LAUDATO. On the nonmilitary, there have been some switches, some shifts in ESF. We expect that the development assistance numbers will remain approximately about the same for East Asia.

Mr. ACKERMAN. In your statement, you state one of our goals is obtaining the fullest-possible accounting of our missing in action as we normalize our relations in Vietnam. Do we get the fullest accounting first? Or do we normalize first? How does that work?

Mr. LORD. Well, this is a very high priority for the President. It has been made very clear.

Fullest accounting is sometimes difficult to define, because for example, we are still getting accounting from World War II. So even if, as General Vesey said in his press conference after his trip, we got the maximum cooperation from Vietnam, it would still be maybe another 20 years until we get every last bit of detail, by the nature of the problem. So therefore, as and before sort of slide into each other.

The fact is that the President is determined to answer concerns of the families to get the fullest-possible information. That is why he sent General Vesey out there. And we will not go forward without that in hand.

But the word "as" also has to be used in the sense this will be a long-range process where you keep digging away, even with the fullest cooperation. But I want to stress that accounting for MIA's remains the highest priority. We would like to move forward if we get sufficient cooperation. And that is the direction that the President has set.

Mr. ACKERMAN. A February 1992 report from the GAO stated—and I will quote from it—"No IMET-trained Indonesian Army offices held senior-level positions in the East Timor command structure on the day of the shooting incident."

In light of that, do you believe we should restart IMET funding in Indonesia? Or should that have no bearing on it?

Mr. LORD. My own view is that we have a balance of interests in Indonesia. It is an extremely important country by virtue of its population, its location, leadership and diplomacy. It has been a very vigorous leader of ASEAN. It has been instrumental in the Cambodian peace process. We have major economic interests. It has made major steps in reforms in economics.

On the other hand, we have some significant human rights problems, particularly with respect to East Timor, which we also have to take account of. That is the general context.

To get to your question, I do believe that the IMET program does serve to promote human rights and democracy by exposing military officers to our values. I do not believe there is any—I will let Dr. Rudd talk about immediate plans on this program. But in principle, I think it could have a positive impact there, even as we make clear our concerns about human rights, which we take very seriously.

Mr. RUDD. I guess I would start by saying I think it is very unfortunate that it was stopped, in the sense that if there would have been a—if we would have had a broader reaction—I am not using Indonesia here. But if we have a broad change in relationships with a country, certainly IMET is one tool of many tools that may be changing the relationship.

In this instance, unfortunately, the reaction in Indonesia was personified pretty much only by the cancellation of the IMET program. So I think it was unfortunate it was canceled.

Now, as far as restart, we are—it takes two in this situation. We would have to discuss that with the Indonesians. We right now have no program. And we would have to address it in detail with them before we made a request to restart a program at this stage. But we may——

Mr. ACKERMAN. Would that discussion take place before the request comes down?

Mr. RUDD. I think it would have to. Yes, sir. I would say if there was a known desire in the Congress for a restart, that certainly would provide an impetus for the discussions.

We continue to have good overall military-to-military relationships with the Indonesians, notwithstanding the curtailment of IMET. I think we would have to first, I think, consult considerably with the Congress and get its views, and then talk to the Indonesians. I think we would go in that direction, rather than just request a new program.

Mr. ACKERMAN. Help us to understand the philosophy of the administration in this area, if you would. What is it that you believe to be the relationship of whatever aid package you are going to propose to the changing international context of political and economic and security interests throughout the region? Is it going to be a carrot? Is it going to be a stick? Is it a reward or an inducement in the areas of nuclear nonproliferation and democracy and human rights and settlement of regional and internal disputes?

Mr. LORD. If I may take a brief crack at it, and I would like my colleagues to elaborate. I think when you talk about East Asia and the Pacific, as we have said in our statements, it is a very prosperous, on the whole, community. So you cannot make general statements about the purpose of aid, because most of these countries are doing quite well.

You have got to take it situation by situation. Thus, in the case of the Philippines, we want to consolidate their reform programs. It is an example of democracy. Mongolia is trying to make this transition both to democracy and market economy. Cambodia is shoring up the security situation and promoting democracy and helping on human rights. So I think it is a case-by-case justification, rather than from general principles.

They are modest programs. The amount of money, even in this era of budget squeeze, is really quite modest, whether it is economic or military. And I think it should be. It should definitely be modest. This committee and this Congress has a right to demand a strong rationale in this time of sacrifice by the American people and budget pressures that they justify every program. We hope we are able to do that.

And as I say, I think in this region of considerable vigor economically, it is a matter of taking each individual case and applying the rationale for that. But I welcome additional comment.

Mr. LAUDATO. As I mentioned in my oral statement, we are changing the way we do business. And in many ways, that is symbolic of the nature of our relationship with a lot of these countries. It is no longer the grant assistance which drives the assistance relationship. Rather, it is for areas of partnership where we are working on solving problems that are as important to the United States as they are to Asia.

And I think this partnership element of our relationship is an important aspect of how we think about our assistance policy in East Asia and the Pacific Region.

Mr. LORD. Could I make another comment, as well? The international agenda is changing, particularly after the cold war. And therefore, we see aid money getting into relatively new areas. Not all of these are brand new. Promoting democracy is a relatively new mandate, I believe, of AID.

Let's take the environment. Some of our aid, and certainly our interests in the South Pacific, have to do with the environment. And I might add, our relations there I think hopefully will be helped by the administration's rather dramatic new policy initiatives on global warming and biodiversity, which I think will be of interest to those South Pacific nations.

Now, AIDS is a problem in parts of Southeast Asia. So there are some new agenda items where modest funds can be helpful.

Mr. ACKERMAN. Let me just announce that that beep was not for a vote. The House is adjourned. Stand down and relax.

In the areas of democratization, human rights, nuclear non-proliferation, and arms sales, will we continue to apply different levels of standards to different countries? We seem more tolerant in some places, and a little—is it a case-by-case basis?

Mr. LORD. Well, again, I would like my colleagues to comment, as well. This gets to some of the most difficult issues in foreign policy, where you have competing interests. And the answer to your question is yes and no. I mean, we have some general concerns about a proliferation and a promotion of democracy, which hopefully we are consistent about.

There is no question as you get to case by case other factors may come into play, in terms of other interests, economic or security, you may have with a country. So there is a general commitment to both of those two goals, for example. But there is no question that it is not a pure standard that is applied in every case. You have to weigh other factors.

Mr. ACKERMAN. Let me not monopolize the time, and turn to my colleague, Mr. Rohrabacher.

Mr. ROHRABACHER. Well, that was a perfect lead-in question. The cold war is over, right? So there is not a lot of excuse of dealing with bloody gangsters that we had to have before, because we had to deter their involvement with the Soviets and our enemies who wanted to destroy democracy.

Where do you see that changing? Where are we going to start, in this post-cold war era, to start coming down on the side of human rights where we had to sort of forget it before, because of strategic reasons? What countries are we now going to make stronger demands of human rights?

Mr. LORD. Well, first let me say that I am personally interested in this area. Before I came into government I was Chairman of the National Endowment for Democracy. So I believe that promoting a democracy of human rights is not just a matter of reflecting our values. It promotes concrete interests.

It may be a cliché, but it is true that open societies do not make war on one another. So they help our security. They make better trading partners. They are more apt to have popular pressures on

the environment. Some of the worst environmental disasters have been the Chernobyls in closed societies.

Open democratic societies do not produce refugees. They do not produce terrorism. So people seem to think that this is just an idealistic goal. They sometimes lose sight of the fact that there are some very concrete American interests, in addition to values, that are promoted. So that is the general philosophic context.

Mr. ROHRBACHER. I could not agree with you more.

Mr. LORD. We have made clear, you know, I think our interests in human rights throughout this region. It is obviously a major factor in our relations with China. And China being among the more repressive regimes in the region, it has been a major issue in our agenda. It is going to be a factor as we go ahead with Vietnam, another remaining Communist—

Mr. ROHRBACHER. But now, let's take China as an example.

Mr. LORD. Sure.

Mr. ROHRBACHER. During the cold war, the reason we warmed up to China in the first place was to play the China card against the Russians. And now the Russians have moved toward reform, and are heading toward a more democratic society. We hope that will continue. So we do not have this need of just playing around with these really bloody dictators in Beijing. I mean, they are one bad group of people.

Now that the cold war situation has changed, what further demands are we going to make on Beijing? It does not sound like to me, frankly, that in the last 4 years, that there has been any difference in our demands on China.

Mr. LORD. Well, there has been some disagreement during the previous administration, in large part, to the Congress and the administration. I think my own personal record on this issue with respect to China is quite clear. And I think the President's, which is much more important, is clear.

Mr. ROHRBACHER. Will the President, for example, will the President be insisting that the Chinese, for example, quit this genocide that they are participating in against the people of Tibet? Will that be one condition of, for most-favored-nation status, that this administration will demand?

Mr. LORD. I will get to that specific question. But if I can answer the more general question about post-cold war world dealing with China.

It was one of the factors in our relationship with China, a very important one—namely, sort of balancing the global Soviet Union power. That does not mean, with the end of the cold war, that China is not still an important country. You have already pointed out its shortcomings in terms of its system, and I agree with that.

On the other hand, we have to balance that off with the fact that it has got a huge population, it has got a permanent seat in the U.N. Security Council, it has nuclear weapons, it exports advanced technology. A huge market, very dynamic. It will be very important on issues like the environment—its coal burning, for example—and population, of course, where it has got the most significant population.

It is important in regional issues, like Korea, where frankly, it has been helpful, and in Cambodia, and so on. So there is a whole

list of American interests besides human rights that we have to take account of.

Having said that, clearly we have to promote human rights. And I think the President has been very clear on that.

With respect to Tibet, I was the first Ambassador to actually ever visit Tibet. And I went there, and I expressed American concerns at the time. I cannot say I had dramatic success.

We are very concerned about the human rights abuses in Tibet. And we are very concerned that the cultural and religious identity of Tibetans be preserved.

Mr. ROHRABACHER. You will be traveling to China next week, I understand.

Mr. LORD. That is correct.

Mr. ROHRABACHER. Will you be raising that issue, the Tibet issue?

Mr. LORD. I certainly will.

Mr. ROHRABACHER. And what type of conditions do you see are, when you are talking about China, what type of conditions do you feel are reasonable? I mean, obviously what you are saying is, well, it was not just the cold war, it was not just our relationship with Russia why we had to hold back on as many demands as we would want to make with China. But what conditions can we make, then? There are some things we have got to hold back on. What can we make as a demand before we have the same kind of relationship with China as we do with a democratic society?

China obviously should be treated differently than France or England.

Mr. LORD. Well, it obviously is treated differently. I mean, there is no question about that. The level of the relationship is not the same as France and the United Kingdom.

The general areas of concern, as related to the MFN question that the President has made clear in his past positions and continues to be his position, fall under the headings of human rights, various trade problems, and nonproliferation. And Tibet is among the human rights problems that we see.

What we have been doing in the last few months has been talking quietly to the Chinese to try to make as much progress in these areas as possible before the administration sits down with the Congress and decides exactly how it wishes to proceed on the MFN question.

So I do not have the specific list for you there beyond these general areas. But we have been talking seriously about these areas, and trying to make as much progress as we can. And I will continue that when I go there early next week.

Mr. ROHRABACHER. When you go there next week, I hope you will relate that there are many of us in Congress who are not just going to roll over and say that our businessmen are making lots of money there; so thus, it is in our interest to have a smooth-flowing commerce between these two countries.

The country is dominated by a group of gangsters. I do not care if our businessmen are making a lot of money over there. We should not be making blood money. That is the bottom line of it. And I am a capitalist, I am a conservative, and I am a free-enterpriser and the whole bit. But morality has to play a role here.

We had to swallow our pride at times during the cold war for long-term security needs and for the history of democracy on this planet. But that era is over. And if you could mention to them that there are a lot of conservatives, as well as liberals, on the other side of the aisle who have a coalition now on these issues of human rights. We are concerned that China is one of the biggest forces behind the dictatorship in Burma, for example. We are concerned that they are shipping rockets to wacko regimes in different parts of the world. We are concerned about the suppression of their own democracy movement, and of course the genocide that is taking place in Tibet.

These are issues that are not just going to go away. And we cannot just have business as usual just because this outlaw regime has control over a big territory and a lot of people. And business as usual is not the name of the game any more.

I would just like to note, while China does not seem to have been making progress on the political front, we have Taiwan. We have a lot of progress there, where we see that Taiwan has taken the steps that are necessary to really become a Western-style democracy. And so the Chinese should not present to us that it is just impossible to do.

In terms of Indonesia, again, the cold war is over. Is there some reason why we are not pushing the Indonesians on the East Timor issue?

Mr. LORD. Well, first of all, we are pushing them. We voted for a resolution recently in Geneva in March. We raised it in our bilateral discussions, including just recently at the Foreign Minister level. But in all fairness, I have to point out, in the case of Indonesia, everything is relative.

And you have just been talking about China. Well, Indonesia certainly is much better than China in this area. So I think we have to recognize that, as well as I repeated earlier, Indonesia is a country of one of the largest populations in the world. It has been very effective on diplomacy, for example, on Cambodia, on the Spratley Island dispute. We have large economic interests there. We have many, many ties with Indonesia that I think have to be weighed along with our human rights concerns.

Mr. ROHRBACHER. Well, I would say that that is true of every country. But I would say what always happens is that we end up weighing them against our human rights concerns, which are basically not just human rights concerns; they are basically the fundamental principles that America is supposed to be all about.

Mr. LORD. By the way, they are universal human rights, not just American ones. That is an important point.

Mr. ROHRBACHER. That is correct. That is correct.

Mr. LORD. But the reason I wanted to point, they are also relative. This means you have to look at how repressive a government is. And China is in a different league than Indonesia, and our policy reflects that.

Mr. ROHRBACHER. I would say that there is a lot of people probably in East Timor who feel that the repression of Indonesia is every bit as strong on them as is the overall policy of the Chinese dictatorship on the Chinese people.

Mr. LORD. Well, I agree with you about the seriousness in East Timor. There has been some modest progress in terms of the reduction of military presence and openness to journalists. Much more remains to be done, and we will continue to press that issue.

Mr. ROHRABACHER. Just two more brief areas. And just a note that I have the hope that this administration understands that there is a Nobel Prize winner who is still imprisoned in Burma, in Rangoon. And does not try again to make human rights a tertiary or a secondary matter in trying to establish relations with the dictatorship in Burma. It seems to me we are struggling to find areas with these regimes. In Burma they are using the excuse of, well, we have an interest in drug control and drug eradication, and we are struggling to find these areas where we can cooperate with these murderous regimes. And I hope that that does not happen with Burma.

Mr. LORD. Could I comment quickly on Burma? I think we have been very, and correctly, firm with Burma. I mean, in the first place, we do not even have an ambassador there. And if there were any change in our policy, we would come to Congress and consult on that.

But secondly, we cutoff all military aid, military sales. We have condemned them in various forums. I think we have been very firm with Burma. We have very little contact with them that would suggest a normal relationship.

Mr. ROHRABACHER. Well, there is moves on the Hill—and it has been going on for about a year and a half now—to try to use cooperation and drug intradiction and eradication as an excuse to get closer ties to that regime.

Mr. LORD. Well, again, I do not know whether the purpose would be to get closer ties with the regime. We would like the regime to improve its performance. But you may have a strong reason to try to—I mean, drugs is also a problem that we are concerned about. And I welcome more detailed comment by my colleagues here. But sometimes you have to balance off objectives. And if we can help in the drug problem, it does not necessarily mean approval of the regime.

Mr. ROHRABACHER. Let us note that we have two of our colleagues who just visited Burma. They testified before this subcommittee. And they let us know that our embassy staff in Rangoon were saying great things about the Burmese regime, about all the great progress that has been made by the Burmese regime. And I think that reflects a bad attitude. And I just note that for you.

I would like to cover one other area, and then I will not hog any more of the time. Vietnam and the MIA/POW issue. Do you believe that, number one, that the Vietnamese would have actually given up all of their leverage at the end of the Vietnam war, and given all of those people back?

And number two, if they did not, would they tell us about it now? I mean, I think that what we are hearing right now I think it is a little naive for people to expect that these people are going to come out and say, "Yes, we kept 200 of your people, and we shot them 5 years later." And what is the answer to that?

Mr. LORD. Well, it is very hard to prove a negative. It is very hard to get the ultimate answer. I testified before the Senate Select Committee on this issue. As you may know, I participated in the negotiations on the Paris Peace Accord for President Nixon and Dr. Kissinger. So I have some sense of what it is like to deal with the Vietnamese.

Let me say that over many years, I think they were very deceitful and callous on the general question of cooperation. I do think that pace has picked up in the last couple of years. And I supported personally the Bush administration's approach. So I do think they have been more cooperative in their own interests of trying to get economic aid and normalization and so on.

I would just, I think the Kerry Committee did a very thorough job, at least of, in terms of today, I do not remember the exact quote, but it is something like there is no compelling evidence that anyone is still alive today. That is not the thrust of your question.

There has been no definitive proof that there ever were people held and shot after the Paris Peace Accords were finalized. We have done everything we can to find out about the discrepancy cases, about those who we are most concerned about, fullest possible accounting.

All I can say is the scenario you have laid out is certainly theoretically possible. But I do not think we should—I mean, there is no proof of it. We will keep looking. And I do not want to add to the agony of the families by suggesting this might well have happened. The Kerry Committee did not conclude in that respect, and we found no proof that we had that kind of horrible event take place. That is about all I can say at this point.

Mr. ROHRABACHER. Thank you very much, Mr. Chairman.

Mr. ACKERMAN. Before I turn to Mr. Faleomavaega, if I may, I would just like to follow up on the issue of China which my colleague feels so passionately about, and rightly so.

It seems to me that it is a multifaceted problem. And while I think we would all agree that some of the actions taken by the government in China are reprehensible and intolerable, that we really have to keep our eye on the ball, and know what the end game is, and know what our objectives are, and be goal-oriented.

If, indeed, the objective was to have some businesspeople become more successful, and we would sacrifice human rights solely for that and that was the only issue, I think there would probably be no question in the Congress that we are not going to sell out human rights for the dollar. You cannot put a price on the value of human lives.

But, indeed, there are probably other considerations that have to be dwelled upon with regard to our strategy in getting China to a place that we would like to see them. I guess it is pretty easy to beat up your kid brother. Maybe a little bit more difficult to beat up your twin brother. But your real big older brother may be a whole different story. And I think we have to take a look at that and see how it is we maneuver people, and what the consequences of our actions might be.

I hope that all of those things would be taken into consideration. As far as reaching our goal in human rights, do we put restrictions on our relations that are so severe that it may be counter-

productive to our ends? That may indeed move us in the wrong direction? Although well-intended and right on the merits and the soundness, philosophically, of the intent, whether or not one kind of a decision rather than another moves us away from the goal rather than toward it.

Mr. LORD. Well, I think that is an important intervention, Mr. Chairman. I tried to explain before the competing interests we have with the important common concerns—I will not go over them again—as well as the human rights. So you are absolutely right, it is a very complex situation.

How do you reflect your values on the one hand, and promote these other interests at the same time? And there are many who argue that the economic opening and the commercial interchanges and the opening to the outside world is having an effect on the political system, and will continue to do that over time. I think that is true, but I do not think that removes us of the obligation to press for political reform much more quickly, in addition to that.

Mr. ACKERMAN. Mr. Faleomavaega, thank you for your patience.

Mr. FALEOMAVAEGA. Mr. Chairman, thank you very much. It would certainly be considered rude on my part to not offer my personal congratulations to Secretary Lord for his appointment by the President as Assistant Secretary for East Asia and Pacific Affairs. I hope that in the coming months your office will work closely with our committee to resolve some of the problems that affect this important region of the world.

I have several questions, and please bear with me. I know that certainly you are not a party to this observation, but there is, without any question in my mind, greater attention paid to North and Southeast Asia and South Asia, and the problems in those regional countries. The Pacific Rim countries, however, have not gotten the same priority and sometimes our policies have not made any real significant contribution to the needs of those small island countries.

For example, I believe it was former Secretary of State Kissinger who made a comment about the Micronesians in the aftermath of our nuclear testing program there. He said, "Well, there are only 90,000 people out there. Who gives a damn?" Well, maybe the Secretary's comment was not taken in proper context—maybe he did not mean what he said.

But Mr. Secretary, I give a damn. I give a damn about that place. The fact that these people suffered tremendously at the expense of our nuclear testing there during the fifties and sixties. The fact that the most powerful hydrogen bomb ever exploded in the history of the world took place in those islands, and it literally undercut the health and the welfare of those island people.

So I say this, Mr. Secretary, with the hope, sincere hope, that we do not neglect that other region, if you will, of the Asia-Pacific, despite the problems that we all are aware of in China, Japan and Korea that affect our economic interests.

One question that I want to raise with you is on the South Pacific Nuclear Free Zone Treaty. This treaty, ironically, was joined by China as a signator, as well as by the former Soviet Union. During the preparation of the South Pacific Nuclear Free Zone Treaty, our Government, through the State Department and the Department of Defense, was closely consulted on every provision in the

document. This was to ensure that our security interests were met. The United States has already supported nuclear-free zones in Latin America, in the Middle East, and other parts of the World. So this is nothing new. It is something that is already part of our policy, we are very much part of our policy, that we should do something about nuclear-free zones.

Well, at the last minute, the administration decided not to sign the proposed treaty. And I just wanted to ask you, Mr. Secretary, if perhaps the administration will closely review again the provisions of the South Pacific Nuclear Free Zone Treaty. Signing onto the treaty will be a strong showing of good faith on our part that the 10 million square miles of ocean and the people that live there in the Pacific do count. The United States is a Pacific country and as a signatory to this treaty, I think it gives us a better sense of appreciation for the people and the ocean environment of the South Pacific.

Which raises another very serious issue, nuclear nonproliferation. My understanding is that the President has made statements, serious statements, that we should advocate a ban on nuclear testing. However, I have heard that some in the administration argue that we should resume nuclear testing underground in Nevada. The French are again thinking seriously of resuming their nuclear testing in the South Pacific.

Now, I just wish the French people would allow nuclear tests to be done in France, and not in the South Pacific. The problem here is that all of the Pacific may be affected, including Hawaii and perhaps California and Oregon. My dream is to find a contaminated nuclear fish in the Pacific, and send it personally to President Mitterand to see if he and the people there can appreciate what the people of the South Pacific have been faced with due to the French testing program. The United States conducted atmospheric tests over the years and the reason why we stopped testing in the Pacific was because of the tremendous harm done to the environment. Thank God. I am sure the good people in Nevada have major concerns regarding the testing we are conducting underground.

But I just wanted your comment, Mr. Secretary, if there is any movement in the administration to seriously look at the South Pacific Nuclear Free Zone Treaty, and to treat it with some sense of fairness to the people in the Pacific.

Mr. LORD. Well, first let me say we will have an interest in the South Pacific generally, your opening remarks in that regard. And I would note that the framework has shifted more from where there was some interest because of cold war, about Soviet presence or the Libyans or the PLO and so on.

Now we have a new agenda, a more positive one, it seems to me. Environment, promoting democracy. And as I said earlier, I think the President's Earth Day initiatives on global warming in particular and biodiversity should be good news to the countries of the South Pacific. So I think already this administration has taken some steps for global reasons, but which I think have particular application to the South Pacific.

The general context for nuclear questions certainly has been improved in recent years. You have had deep arms control cuts between us and the Russians. You have had these nuclear test mora-

toria, both in France and here in the United States, under the Hatfield Approach. You have had the fact that we have removed tactical nuclear weapons from our ships.

Having said that, we still have—and I think it is important, and again, my defense colleague should comment on this question—we have a global neither confirm nor deny policy that still is very important. We have concerns about transit of ships. So there are continuing issues that we have to look at very seriously if we look at any nuclear-free zone.

We certainly will review this issue, I guarantee you that. But I am just saying, we have many considerations.

Mr. FALEOMAVAEGA. It is ironic, Mr. Secretary, for 40 years we have been testing that nuclear trigger. And our friends from DOD are still saying we have got to continue testing because we want to make sure that that trigger works when that day comes that we have to pull it.

What I cannot understand or comprehend is that we now have at present the capability of blowing this whole planet, 17 times over. I do not know how crucial or important it is for us to keep testing that nuclear trigger, or if in fact, it really gives an option of surviving as winner in a nuclear holocaust.

The point here is that as long as we are going to continue our testing, other countries are going to continue theirs, affecting the environment, affecting everything that we are talking about. Maybe our friends from DOD can help me out on this. From a layman's point of view, what kind of a trigger failure are we really concerned about that would justify testing for the last 40 years?

Mr. RUDD. I am very definitely the wrong defense colleague to comment on that, Mr. Congressman. I know as much about nuclear testing as what I read in the papers. I am military assistance and sales. So I am sorry I cannot help you.

Mr. FALEOMAVAEGA. Well, then, maybe I will bounce it back to the Secretary, because—

Mr. RUDD. There has got to be somebody in the Defense Department who can give you an intelligent answer on it, but it assuredly is not me.

Mr. FALEOMAVAEGA. Well, Mr. Secretary, I guess the burden is on your shoulders, because you are—

Mr. LORD. I hate to have you see us keep passing the buck, but as East Asia Assistant Secretary, I am not responsible for defending the administration position on a complete test ban. So I really am not in a position to comment on it.

Mr. FALEOMAVAEGA. But the fact that you do have jurisdiction over the whole South Pacific and East Asia and South Asia, doesn't that give you some sense of responsibility?

Mr. LORD. Well, certainly, in terms of we have made—there has been an interagency review of this in recent weeks. And my bureau and I personally have made our own representations on what course we think the United States should take on this. So our views reflecting this region have been forcefully presented within the State Department, which in turn has to deal with other agencies, and of course the White House has to make the eventual decision. So of course we have an interest. We presented our views very strongly. But I cannot speak for our global policy.

Mr. FALCOMA VEGA. If the chairman will forgive me, I am going to give the Secretary a copy of the letter that was just sent to Secretary Christopher yesterday concerning a petition that we, as members of the committee and Chairman Hamilton, urge the United States to seriously reconsider our policy toward New Zealand.

Now, we know about their nuclear stand. There have been some changes made on our own side. Why do we continue snubbing New Zealand officials? I absolutely personally believe that this is way out of proportion. New Zealand is not only a friendly country, but certainly one of our closest allies for all the years that I can remember. And I just want to share that with you, Mr. Secretary, to take this up with Secretary Christopher that we look at changing our policy toward New Zealand.

On the question of collective security in the Asia-Pacific region, I believe the media has taken coverage of this, and there has been some expression by the administration that perhaps we should also seriously consider having a regional collective security organization similar to that of NATO, perhaps, given some of the problems that we have in Asia-Pacific region. What is your position on that, Mr. Secretary.

Mr. LORD. Well, first, our security approach in this region will be based firmly on our alliances which will continue and a substantial military presence, as I noted earlier. So that does not change.

There are some issues that are being handled appropriately in forums that already exist or groups of nations which already exist, like the Cambodian problem, the Korean problem, Japan-Russian problem. So what we are talking about, we have to keep all that in the background as we go forward, is to be somewhat more positive than perhaps the United States has been in the past about engaging the countries of the region in regional consultations and dialogue. We are not at the point of structures like a new NATO or anything like that by any means. And Asia is not Europe.

But we do feel, looking to the future, with the various countries' concerns about their neighbors, with possible arms races, with some specific disputes that take place in the region that are not being handled perhaps correctly now, that there is reason to step up our consultations; try to convey countries' intentions to each other; try to relieve tensions. And perhaps this will evolve into more formal structures. But we would want to hear what our partners believe along those lines.

I am going out to Asia next week. And the primary purpose of the trip, and the original purpose, was to go to Southeast Asia. We consider ASEAN extremely important. You have mentioned how the South Pacific sometimes does not get enough attention. There are times when these big nations of North Asia tend to overshadow the correct attention that ASEAN deserves, both as an organization and the individual countries.

And the most dynamic structure now for consultations on security is this ASEAN post-ministerial conference dialogue. That is the main reason I am going out there, along with dialogue with ASEAN bilaterally with the United States. So that is a very promising forum for discussion of regional security issues. There may be others we want to look at, but that is the most vigorous one right now.

Mr. FALCOMAVAEGA. Mr. Rudd, I was listening to the IMET program that you had discussed with the chairman, especially with reference to the cutting of IMET to Indonesia. I met recently with the Foreign Minister of Indonesia, Mr. Alatas. And his complaint to me was, "You Americans, you are so narrowly focused. You always think of only East Timor, but never think of a multitude of other things that Indonesia has done so well in our working relationship with your country." And his reaction to the IMET cut, at least in my discussion with him, was that it was not the amount of dollars withheld that was important. I mean, it is peanuts. But it was the symbolism behind it which the Indonesian leadership took as an affront. It was almost like cutting a friend's arm off.

The question of East Timor is only one issue out of perhaps 10 other things that should be considered in the context as a whole. I wanted to convey that to you, the concerns of the Foreign Minister from Indonesia. Are we truly justified in cutting the IMET program. The Indonesians felt that the program was really a big help. It promoted democracy. It got many of the Indonesian military leaders to think the way we like to think in terms of democratic terms. Now the second most powerful person next to President Suharto is there former commander-in-chief, the new Vice President. I would like to think that those who hold military positions, top military positions, are given as opportunity to gain an understanding and appreciation of our democratic values.

I might also note, Mr. Rudd, the reaction basically of those that I have met with in Indonesia was, it is strange how our policy toward East Timor always highlights a response based on emotion. Additionally, no mention is made of the fact that for 400 years the Portuguese Government colonized East Timor, while these people were actually of Indonesian ethnic origin.

So there are a lot of problems that perhaps we have not really understood well enough regarding the people living in East Timor. Are we truly justified in cutting the IMET program.

Mr. RUDD. Well, as I indicated before, I think it was unfortunate. And I think that the Indonesians reacted just, I think you characterized it very well, they, I believe, felt that it was an unbalanced reaction in the sense that it was only done, only one thing was really talked about, and that was the IMET program. And of course, as you know, the last administration worked pretty hard to try to persuade the Congress to, not to terminate the IMET program, and it just did not work. So it is very unfortunate.

Even if there would have been an IMET-trained officer or two who was associated. I mean, we do not—I think we have trained, I do not know how many thousands in East Asia and around the world over the years. They are not all perfect. They do not all—we do not put the stamp of perfection on them.

Mr. FALCOMAVAEGA. They do not all speak English.

Mr. RUDD. But we believe in our own military and in their ability to create an environment which does promote democracy. So yes, I am sorry it happened. I do not know if we can put it back together again. As the Indonesians say, from their perspective the amount of money was not big, but I think the image was very important. And I think that the relationship, which as I said is still good between our military and their military, suffered.

And that is not to make a value judgment on the Timor situation at all. I am not capable of doing that. To me, that is a different issue to have to be discussed in detail by someone in addition to me.

Mr. FALCOMA. Mr. Laudato, one question. I know AID is going through a process of reorganization. I know you also could be a tremendous help to some of the concerns that I have expressed to the previous administration.

In many instances, we know that many foreign countries have—for example, China, with well over 40,000 students—large numbers of students enrolled in our American universities and colleges. Taiwan has about 38,000. A tremendous number of foreign students attend our universities.

Some countries, however, just simply do not have the resources to provide grants or scholarships or fellowships for their students to attend our American universities. I am a great advocate of giving opportunities to students from those countries that simply cannot afford it.

My question is, when it comes to the South Pacific, little aid is given for academic scholarships, although I have been pushing this goal for years now. I believe that if students are given an opportunity to understand, appreciate and graduate from U.S. institutions, it will be a long-term investment for our country. The people of the Pacific would gain a better understanding of our democratic value system. But somehow, nothing is done in terms of giving those little island students a chance to attend our universities.

I believe AID is certainly an agency that can provide this kind of assistance for students from the South Pacific. Now, am I just spinning my wheels on this, Mr. Laudato? Or can there some way AID can establish a fellowship program to allow these students from the South Pacific to attend our universities and colleges?

Mr. LAUDATO. Under the program that we have ongoing right now, I think we have planned for 59 long-term academic scholarships in the program. We also have provision and funding in place for over 3,000 more technical short-term types of training. The short-term training would primarily be in the South Pacific.

The 59 long-term training programs would be split between both the United States and South Pacific University.

Mr. FALCOMA. I do not want them to attend the South Pacific University. I want them to come here. I think the exposure here to the American system is a lot more valuable.

Mr. LAUDATO. OK.

Mr. FALCOMA. If they insist they want to attend the University of the South Pacific, let those island countries pay for it. In other words, it is our investment; the money should stay in the United States. Why should it go to the South Pacific?

Mr. LAUDATO. We have had a long history with the University; trying to buildup its capacity as a regional center of excellence and a regional center of training. Therefore, we believe that some of the long-term training should be done there. But the majority of the 59, will be done here in the United States.

Mr. FALCOMA. Could I follow up on that with you?

Mr. LAUDATO. Surely.

Mr. FALEOMAVAEGA. OK. Mr. Secretary, one more question. Is that all right, Mr. Chairman?

Mr. ACKERMAN. Sure.

Mr. FALEOMAVAEGA. Thank you. You had indicated earlier about the Joint Commercial Commission. That has gone on in some very interesting movements here and there in an effort to replicate what we have done with the Caribbean Basin Initiative. I am going to propose legislation that we do not restrict the JCC program just to those 13 island countries; that the JCC should be expanded to give opportunities to all the island countries in the Pacific.

I am very hopeful that the administration will be supportive of this effort. I do not think it is going to require vast amounts of funds. But it certainly will go a long way in giving economic incentives to those island countries that could really benefit, similar to the programs that we have done with the Caribbean island countries.

I really want to work with your office and the administration to see how we might put substance into the JCC proposal. Hopefully the upcoming PIC conference in Tahiti next month will allow discussion of initiatives to expand JCC opportunities to all other island countries, and not just the 13 present signatories.

Mr. LORD. Well, we will give that serious consideration. I look forward to working with you.

Mr. FALEOMAVAEGA. Mr. Secretary, Mr. Rudd, Mr. Laudato, thank you very much. Mr. Chairman.

Mr. ACKERMAN. Thank you. Perhaps you can tell us what the trends are in development assistance that is being provided by other donors. Maybe you could touch specifically on Japan, as well as the multilateral institutions. And if you could, talk to the point of both levels and substantive focus. And if you would, describe what kinds of coordination takes place, if any, between us and other donor nations in this part of the world, and whether or not the other donors are sufficiently capable of picking up the slack where aid levels may be declining from us. And whether or not our American interests are in any way ill-served when other donors may come in and displace us.

Mr. LAUDATO. Yes, Mr. Chairman. East Asia as a whole, the largest donor is the World Bank, followed by the Japanese and the ADB, in that order. The largest recipients are Indonesia, Philippines, and Thailand, in that order.

With regard to cooperation, there are two principal methods of donor coordination.

One is the consultative group process, which the World Bank runs where, on an annual basis, the principal donor countries meet and discuss key development issues that affect the area.

The second is the in-country process. And that is where the United States really has an advantage because of the presence of our overseas missions which play a critical role on the ground for donor coordination.

I believe East Asia probably has tighter and stronger donor coordination than most AID recipient countries, because we tend to have larger missions in the region countries and the consultative group process is well-established.

With regard to others filling in behind the United States as we become a smaller donor, the key difference here is the type of assistance we provide. For the most part, we are no longer involved in major capital projects or major infrastructure. That gap has been filled by the Japanese, and the World Bank and the ADB. That changes the nature of the U.S.-recipient country relationship. It takes us out of dealing with many of these governments on certain types of issues; others then take over.

But, at the same time, given the fact that we have larger missions on the ground, we tend to have more of a day-to-day relationship with host governments than the other donors do. The Japanese traditionally will have three to five people working in one of their major countries on a program. That does not give you the kind of outreach into the development community in the country that the Americans normally would have. That gives us an added lever, in a sense, when we are dealing on donor coordination issues.

Mr. ACKERMAN. One point. I guess I hit you with a whole bunch. But in any way, are American interests ill-served or disadvantaged when other nations play a greater role, and we eclipse?

Mr. LAUDATO. Well, I mentioned capital projects and infrastructure. Clearly, when we are not present there, the business goes someplace else.

Mr. ACKERMAN. Could you speak to the point of what has been accomplished since APEC has been established? And what role the administration might expect APEC to play in the region?

Mr. LORD. I will be glad to make a few comments. You may wish to, also, George.

We believe APEC is the most promising regional cooperation organization in Asia. We will be the host this year in Seattle in November, so we have an opportunity to try to give it even more substance. It is still a very young organization, only a few years.

A permanent secretariat in Singapore was set up this year, headed by an American Executive Director, because we are the Chair this year. Indonesia will be the Chair next year. So it is better organized. It has got several, about 10 working groups, beginning to tackle problems of cooperation in the area, like telecommunications and transportation and energy. We are trying to make those more focused and give them more substance.

And this year the theme for APEC is regional trade liberalization. So we have begun to talk to our partners, and I will press these issues on my trip, to see whether we can get a more structured framework for trade and investment in the region.

APEC has the advantage of anchoring the United States in Asia further. It gets both sides of the Pacific involved. We think it is a very promising organization; we are going to give it a very high priority. But it is still quite young.

You may wish to add to that.

Mr. LAUDATO. We chaired the Joint Committee on the APEC Partnership for Education, under the APEC arrangement. This is a \$6-million program which we put in place relatively quickly, in U.S. Government terms. It has three components: university partnerships, which link U.S. universities with Asian universities—there are about 10 of these; a cooperative education outreach component, which is assisting Asian and South Pacific students in the

United States with reentry assistance into their communities; and a private sector training component, which is identifying specific sectoral areas and centers of excellence where we Asian and U.S. institutions can foster additional cooperation. I believe the program has been very positively received by the countries involved in the APEC arrangement.

Mr. ACKERMAN. Switching subjects, what is the administration's position on establishing a radio-free Asia?

Mr. LORD. The administration and the President is strongly in favor of a radio-free Asia. And that has already been made clear publicly. They are, we are still sorting out the supervision of it, where it is placed, how it gets off the ground. But there is a firm commitment by the President to establish a radio-free Asia.

Mr. ACKERMAN. Could you tell us which diplomatic posts the administration may intend to close in East Asia and the Pacific? And the rationale behind closing them?

Mr. LORD. Well, this is still under review. As you know, Brian Atwood is just becoming or will become the new head of AID. And therefore, final decisions are awaiting his ability to review this. So we do not have final decisions on closing posts.

The rationale for closing any post is essentially economic. I mean, I would like to think there is no post in the world that is not without some merit. But under the severe budgetary pressures and the deficit, obviously something has to give. Particularly on a global basis, with all the new posts in Europe and the former Soviet Union and so on.

We are well aware of this committee's interest, including Representative Faleomavaega, in terms of some of the posts in the South Pacific that have been considered. So I cannot give you any final decisions today, pending Mr. Atwood's review and decisions. But I will say that this committee's views have been very seriously taken into account, and will continue to be.

Mr. ACKERMAN. We appreciate that. Could you tell us, how have Japanese investors reacted to our departure from the Philippines?

Mr. LORD. George, can you respond to that? Well, their investment is increasing. Beyond that rather anodyne comment, why do I not just take the question? I cannot give you a more detailed answer. I do not know whether my colleagues can.

Mr. ACKERMAN. If you can get back to us on that, that would be fine.

Mr. LORD. Is the thrust of your question that maybe they might consider it more attractive or less stable? I am not quite sure what—

Mr. ACKERMAN. That is the question, whether they consider it more attractive or less stable.

Mr. LORD. OK. OK, we will get back to you with an answer to that question.

Mr. ACKERMAN. OK, thank you. With regard to Cambodia, share with us, if you will, your assessment of the current strategy of each of the Khmer Rouge and the Phnom Penh regimes.

Mr. LORD. Well, the Phnom Penh regime wants to win the elections one way or the other, and the Khmer Rouge want to make sure that there are not any elections. That is the quick answer.

The Khmer Rouge have refused to participate, have been inciting acts of violence. The Phnom Penh government of course has participated, but there have been instances on its part where it has intimidated voters. And we are concerned about that, as well as the serious violence perpetrated by the Khmer Rouge. That is the quick answer, Mr. Chairman.

Mr. FALEOMAVAEGA. Would the chairman yield on the Cambodia issue?

Mr. ACKERMAN. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. It is ironic that we have an international tribunal now seriously considering the atrocities and the war crimes that have been committed recently in Bosnia, and that we are pursuing prosecution of those people responsible for the rapes and crimes.

Yet, we have not done anything with the atrocities that were committed in Cambodia by Pol Pot of Khmer Rouge. I wonder if the administration would seriously consider the possibility of bringing this matter before the United Nations, or perhaps even the Security Council; otherwise, we are letting this guy get away with murder. We are so quick in taking action against the Bosnians and those responsible, but we are not doing this in Cambodia.

Mr. LORD. No, I think it is something that ought to be considered, personally. And I think the Khmer Rouge have got to understand if they continue on their present path, that that kind of response is more and more likely. And I think it ought to be seriously considered, unless the Khmer Rouge desist from their violence and repeating their past history.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Mr. ACKERMAN. Do we have any intention of reducing or redefining our force strength on the Korean Peninsula?

Mr. LORD. No. I should point out in addition to that that under the previous administration's multiyear plan—and again, I am doing too much of the talking here, I ought to pass the baton—there were some projected additional reductions, as I recall, beyond the first phase of 3 years. But those have been frozen, given the tensions on the Peninsula. But I would like Mr. Rudd to elaborate.

Mr. RUDD. That is exactly correct. No current plans for reduction.

Mr. ACKERMAN. That is the most definite thing we have heard.

Let me say we have about 100 more questions. And rather than wear on everybody's time—and you have been most patient and forthright with us, and we appreciate the cooperation that you have given to this subcommittee—we will, if it is OK with you, submit these questions to you in writing, for the record. And you can get back to us. It will give you something to write about on your plane trip, Mr. Secretary.

Let me thank the entire panel for being with us. You have been superb witnesses. Thank you.

I am delighted to welcome our second panel. It is truly an honor to welcome back to this subcommittee the Honorable Steve Solarz, who was my immediate predecessor as Chairman of this committee, and served in that capacity for a dozen years. And we miss Steve's Solomonian wisdom and sage advice that he has given over the years on all foreign policy matters which come before the

House Foreign Affairs Committee, and which involve in particular Asia and the Pacific.

We are truly delighted to see you here, Steve. And we look forward to the time, hopefully in the very near future, when the new administration puts your talents and brilliance to appropriate use. I can truly say that I love this subcommittee, and my new friends who follow issues in the region, your colleagues here, miss you very, very much. And we wish you the best in all you do, and look forward to your testimony.

We are also delighted to welcome John Bresnan to the subcommittee. As many of you know, he is a senior research scholar at the East Asian Institute of Columbia University, and Executive Director of Pacific Basin Studies at that very fine institution. Mr. Bresnan's expertise on Southeast Asia, as well as the ASEAN nations, is well known in the foreign policy community. We welcome you, sir, and we look forward to the testimony from both of you and the ensuing dialogue.

And if we can begin, Chairman Solarz.

**STATEMENT OF STEPHEN J. SOLARZ, FORMER CHAIRMAN,
SUBCOMMITTEE ON ASIA AND THE PACIFIC, COMMITTEE ON
FOREIGN AFFAIRS**

Mr. SOLARZ. Thank you very much, Mr. Chairman. I am honored to be back, although I must say if it was not for the honor of it, I would just as soon have been on the other side of the table. [Laughter.]

Nevertheless, if I had to be on this side of the table, I must say I am delighted that you are on that side of the table. Jack Valenti once said that he slept better because Lyndon Johnson was in the White House. I sleep marginally better knowing that you are chairman of the Subcommittee on Asian and Pacific Affairs. And I have every confidence that you will discharge your responsibilities wisely and well, particularly now that I see that you will continue to be assisted by Mr. Faleomavaega. And I congratulate you on having mastered the pronunciation of his name.

Mr. ACKERMAN. It was you that taught me, not him.

Mr. SOLARZ. It took me about a year and a half. It took you about a month and a half. You are obviously a very quick study. But I am delighted to be here before him, as well.

I was asked, Mr. Chairman, to offer some thoughts about the foreign aid program for fiscal year 1994, which I find it somewhat difficult to do, as much as the figures for the foreign aid program for fiscal year 1994 are apparently not yet available. I am tempted to say that never stopped me in the past, but in truth I did hold my fire in previous years until I saw what was actually before us.

Nevertheless, in the spirit of your letter, let me offer some general, and then a few specific, thoughts.

In general terms, I think it is safe to say that there is no area of the world more important than Asia in terms of the strategic and economic interests which our country has at stake there. As you undoubtedly know, our two-way trade with Asia now exceeds by more than 50 percent the level of our trade with Europe.

In Japan we have an industrial superpower which has an economy that, combined with ours, accounts for 40 percent of the global

GNP. In China we have the most populous country in the world engaged in a significant military modernization whose policies will have profound consequences for the future, not only of the region, but of the world. And in the Asian tigers, we have several economies—in Hong Kong, South Korea, Taiwan, Singapore, and now Thailand—that are going to become increasingly important to the United States.

This is, I think it is fair to say, a time of tranquility in Asia, in the sense that the cold war is over, the Russian threat no longer really exists, although our Japanese friends might still require some assurances on that score. And there are no major wars that confront us in the region.

Nevertheless, I would argue, Mr. Chairman, that beneath this surface stability there is a potential for significant instabilities that could have profoundly negative consequences for our country. In China, for example, or with respect to China, we are going to have to make a decision in the next month in terms of whether or not to renew MFN status for the PRC. That can have very significant consequences for our future relationship with Beijing.

And while I share the view of the Congress and of the administration that we ought to use the leverage that China's desire for MFN gives us, in order to facilitate greater progress on issues we are deeply concerned about, ranging from human rights to missile proliferation; I also believe at the end of the day that it would be completely counterproductive if we end up terminating this relationship. And therefore, I very much hope that a formula can be found which will enable us to achieve the kind of progress we hope, but which will not require us to cutoff this trading relationship with China.

In the case of Japan, the trade tensions between our two countries cast a growing cloud over Japanese-American relations. And while I very much hope the administration can succeed in its efforts to induce Japan to open up its market somewhat more to American exports, I also hope they can attempt to do it in a way which does not place in jeopardy the fundamentals of the relationship itself.

Perhaps the most serious challenge we face, at least in the short term, in Asia is on the Korean Peninsula, where North Korea's decision to withdraw from the MPT and to refuse to permit the IAEA to carry out its special inspections poses some very serious threats to vital American interests. If this decision is not reversed and North Korea proceeds to join the nuclear club, it will generate tremendous pressures over time in South Korea and Japan to go nuclear, as well. It will clearly increase the prospects of another war, conventional or nuclear, on the Korean Peninsula. And worst of all, I think it will bring to an end our hopes to effectively prevent the proliferation of nuclear weapons around the world, since I have little doubt, starved for foreign exchange as it is, that North Korea would attempt to sell either fissile materials or off-the-rack weaponry to other rogue regimes like Iran, Iraq, and Libya that would unquestionably be prepared to pay whatever the market required in order to join the nuclear club, as well. So I think it will be essential for us to find ways to reverse this decision.

Obviously China is the key, because China is the only country that has any influence whatsoever with Pyong Yang, and it is the one country on which North Korea remains somewhat dependent for the energy and other inputs that enable it to keep its faltering economy alive.

Let me make you one very brief and parenthetical observation, Mr. Chairman, because I see a relationship between this issue and the question of MFN for China. The MFN relationship with China comes to an end on June 3. The date for North Korea's formal withdrawal from the MPT is June 12. So far, China seems to be cooperating in the effort to persuade Pyong Yang to reverse course. But if China should fail in its political and diplomatic efforts to induce North Korea to rejoin the MPT and permit the IAEA inspections to go forward, we are then, as I understand it, together with Japan and South Korea, going to move to get a resolution in the Security Council imposing economic sanctions on North Korea.

I find it hard to believe the administration would be willing or the Congress would consent to the renewal of MFN under those circumstances if it appears that China is preventing the adoption of such a resolution through the use of its veto. And I very much hope if it comes to that that China, at the very least, would abstain, as it did at the time of the Gulf War, in order to permit a resolution to be adopted.

But I do think it is very important for us to let China know that if they end up obstructing the effort to reverse this decision by preventing the adoption of a resolution to impose sanctions on North Korea, it is likely to make it impossible to move forward with the MFN relationship that they would like to sustain.

Finally, in the case of Vietnam, where we remain estranged, what is it, now 18 years after the end of hostilities in Indochina, from the one country that ever defeated us, against which we ever lost a war, I very much hope a way can be found to begin a new chapter in our relationship by facilitating greater progress on the POW/MIA issue. And clearly, it will be necessary to convince the Congress and the American people, and I imagine the administration, that the Vietnamese are doing everything we reasonably can expect them to do to help us determine the fate of our missing.

Now, as you can see, every one of the issues I have mentioned, which I think are at the top of the agenda in Asia, are issues which really do not relate to the Foreign Aid bill, because we do not have foreign aid programs in any of these countries. But there are at least three issues which do relate to the Foreign Aid Bill, which I would briefly like to call to your attention.

First is Cambodia. I think it is fair to say that there would not have been a U.N. agreement for Cambodia had it not been for the Herculean efforts of the United States and the willingness of our country to help underwrite the expenses of the peacekeeping operation there.

To be sure, the U.N. peace plan has not achieved everything that we hoped it would. The Khmer Rouge are not in compliance; they have refused to disarm and demobilize. They are attacking U.N. peacekeepers; they are hoping to obstruct the elections and to prevent them from taking place or to discredit their legitimacy if they do. But the U.N. appears determined to move forward with the

elections. The 350,000 Cambodian refugees have been repatriated. Large areas of the country have been demined.

I think it is essential for these elections to go forward. Because through the electoral process, it will be possible to facilitate the emergence and establishment of a government in Cambodia that will enjoy a far greater measure of internal and international legitimacy than the one that has existed there for the last decade. And that, in turn, as I see it is a necessary, if not sufficient, condition for an effective effort to prevent the Khmer Rouge from ultimately battling their way back to power in Phnom Penh.

Once the election is held, however, and a new government emerges, there will be tremendous pressures on the U.N. to withdraw. And I think there is a reasonably good chance that the U.N. will declare victory and get out. But at that point, a new government will be left to contend with the Khmer Rouge. We are obviously not going to be sending ground forces into Cambodia any more than we are into Bosnia. But I do believe, knowing what we know about what happened the last time the Khmer Rouge was in power, that we have not only a national interest, but a moral obligation, to do everything that can reasonably be done to prevent it.

And the challenge that will confront you, Mr. Chairman, and the other members of the subcommittee, will be to figure out a way, within the limitations of the resources that are available, to maximize the resources to provide whatever government emerges in Cambodia as it attempts to go about the task of rebuilding a shattered society. Because on their ability to do so will depend, to a very large extent, their capacity to contain the Khmer Rouge. And I do hope, Mr. Chairman, that you will, together with other members of the subcommittee, see what can be done to maximize the level of resources we make available for the rehabilitation and reconstruction of Cambodia after these elections are held as a way of helping to contain the Khmer Rouge.

Second issue related to the Foreign Aid bill, as I see it, is the Philippines. You and I were privileged to be there in those halcyon days in the immediate aftermath of the triumph of people's power, when it looked like everything was possible. And you will recall, I am sure, how we all said in those days that the relationship between the United States and the Philippines involved much more than just the bases. It involved a shared commitment to democracy, it involved a shared history of pain and suffering and the like.

Now that the bases have been terminated, the proposition that our relationship involved more than the bases has been put to the test in a way that it never was before. And I continue to believe we do have important interests there. I think it would be a mistake to take the survival of democracy for granted. And I would hope, once again within the framework of the limitations you face, that you would make the maximum resources possible for the multilateral assistance initiative and for our bilateral aid program, in order to provide President Ramos with the resources he is going to need to transform the promise of democracy into a better life for the Filipino people.

Finally, while it may be an area of the world with relatively few people, the South Pacific nevertheless is an area of some impor-

tance to the United States. And I know it is of considerable importance to at least one member of the subcommittee.

Mr. Faleomavaega had come forward over the last few years with a very constructive and creative initiative to establish a scholarship program in which we would make it possible for students from the South Pacific to study here in the United States, and then hopefully to return to their countries of origin. And we would put money in the bill, but somehow or other at the end of the year it was always scrubbed out by downtown, by the administration. And I hope you not only emulate what we did in the past by making relatively small sums available, but which go a long way over there, in the bill, but that you will be more successful than we were in seeing that it survives the winnowing process when the administration adjusts to what they are left with after the Appropriations Committee finish their job.

Finally, on the South Pacific, as well, I think both you and Mr. Faleomavaega raise this question of the South Pacific Nuclear Free Zone. In the past we adopted resolutions urging the administration to sign. Previous administration I think was caught up in the theological conviction that nuclear-free zones were somehow traif, even though we had already signed onto several of them elsewhere around the world.

But with the end of the cold war, and particularly with the new policies adopted by the administration with respect to not carrying nuclear weapons at sea and a moratorium on testing, I see absolutely no justification for our not signing the protocols of the Treaty of Raratonga. And with the new administration, which now has an opportunity to look at this issue afresh, I have a feeling that a well-timed initiative by the subcommittee might make a difference downtown, whether it took the form of a dear colleague letter or a new resolution or whatever. That is something for you to judge.

But if you agree that it would serve our national interests to sign the South Pacific Nuclear Free Zone Treaty, which in no way prohibits us from doing anything we want to do, but which would I think generate considerable good will for us in that part of the world, I would hope you would take some initiative along those lines.

So I thank you, Mr. Chairman, for the opportunity to come back. And I hope in some small way I contributed to your deliberation.

Mr. ACKERMAN. Well, you certainly have. Let me say that going from this side of the table to that has not in any way reduced your logic, your powers of persuasion, or your eloquence.

Mr. SOLARZ. Nor my pocketbook. [Laughter.]

Mr. ACKERMAN. I guess there are some advantages to being a private citizen.

Mr. Bresnan.

STATEMENT OF JOHN BRESNAN, EXECUTIVE DIRECTOR, PACIFIC BASIN STUDIES PROGRAM, EAST ASIAN INSTITUTE, COLUMBIA UNIVERSITY

Mr. BRESNAN. Mr. Chairman, I was asked to speak for 6 or 7 minutes, and I will do that.

I want to identify three broad currents of long-term change that are occurring in the East Asia and Pacific region that I think, over

the next 5 to 10 years, will affect the United States' interests significantly. And they suggest steps we need to be taking now and in the next 2 or 3 years, if we are to influence them.

Number one. Most of the economies of this region are not only growing quickly, they are increasing their per-capita share of global productivity. And they have been doing it for an entire generation. The numbers go from 1965 until last year, and they begin in 1965 because that is when the World Bank began to collect them.

Per capita, the United States has been losing its global share. Now, what is happening as a result of this is that what Congressman Solarz pointed to in the trade across the Pacific is now being challenged by the amount of trade within East Asia itself. Analysts there are talking about the Asianization of the region, movement of capital and trading goods within the region more heavily than between it and North America.

If this continues, then we are in some danger of being left at the margin of the world's most dynamic economic region.

Two, this economic growth is driving politics, both domestically and internationally. Domestically, the new middle class that is rising in the capital cities is the most probable source of political instability in the next 5 to 10 years.

Internationally, with the end of the cold war, both Japan and China are beginning to convert their economic power into political power, and to adopt more activist roles in the regions of security affairs.

Three, this beginning shift in the strategic relations of the powers in the Western Pacific is, to some extent, overdrawn by a widespread perception that the United States is withdrawing from the region in a military way. We have not done it, but the discounting is really pretty considerable.

The concern is that the economic differences between the United States and Japan could spill over into the security relationship. I think that is the principal way in which it is expressed. And security officials in Southeast Asia whom I have met in the past year are seriously concerned about the prospect of a rapid, whatever that means, a rapid withdrawal of the United States.

Now, what should the United States do to protect its own interests in these circumstances? Three points again.

One. We need to reinforce, by every means available to us, our continuing interest in and performance in the region. And particularly if our military presence is going to decline, as I expect it will, we need to be engaged politically and economically more actively than we have been.

Secretary Lord has identified the principal means by which that will be happening, the principal vehicles. I would just say as a personal aside, it is too big a question for discussion here today. But I think we are also going to have to get into the question of the expansion of NAFTA. If it goes beyond North America, I think we are drawing a big line down the middle of the Pacific. Staying engaged for these people, number one.

Number two. On the economic front, I really think we have got to restrain our obsession with trade deficits, with international property rights, and with trade sanctions. We have to stop thinking

negatively. We have to start thinking positively. We have to start focusing on increasing our exports.

Now, in the Southeast Asia part of the world, we already sell more, incidentally, than we do in South America, or more than we sell to all the Middle East, or more than we sell to all of East Asia and the Soviet Union put together. The opportunities for us now are in big infrastructure public projects, and the region, in return, is concerned about a continued U.S. security presence.

Mr. Chairman, I think the time has come for us to try to raise the discussion of a linkage between our economic interests and the region's security concerns. And that means moving them up to a higher political level.

Three. I am sorry the Congressman at the end here is not present. I think we need to be realistic about what we can expect in regard to human rights. We are not capable of changing the political fundamentals of East and Southeast Asia. I think our record shows that we can mobilize significant reaction only on an ad hoc basis in response to gross violations.

From a long-term point of view, I think we have to invest in economic and social change. And in our diplomacy, I think we have to continue to give more attention than we have in the past to international institutions, and not leave everything to our bilateral relationships.

Thank you, sir.

[The prepared statement of Mr. Bresnan appears in the appendix.]

Mr. ACKERMAN. Thank you very much, Professor Bresnan. Let me turn, in the few short minutes we have left, to a question first I have of Mr. Solarz.

Do you believe that Taiwan has adequate deterrent capabilities, vis-a-vis the PRC?

Mr. SOLARZ. The devil, Mr. Chairman, is always in the details. It depends how you define deterrent. If by that you mean do they have the capacity to defeat an all-out effort by China to conquer Taiwan and to incorporate it into the mainland, the answer is clearly no.

If by deterrent you mean do they have the capacity to inflict a sufficiently heavy price on China so that China will think twice before resorting to military means, the answer may be yes.

In fact, the main deterrent to a Chinese invasion of Taiwan, in my view, is not so much the military strength of Taiwan, as the impact which the use of force by Beijing against Taiwan would have on China's relations with Japan, the United States, Britain, South Korea, and many other countries both in the region and around the world.

Fortunately, there is no reason to believe that China is seriously contemplating the use of force. The fact that relations between Taiwan and the mainland have improved considerably in the last few years, tensions have diminished in the Taiwan Straits, a dialogue between Tai Pei and Beijing has begun all suggest that, at least for the foreseeable future, there is really no threat of war.

But clearly, we have a major interest in preventing the use of force as a means for resolving the status of Taiwan. And I think

part of that requires the maintenance of Taiwan's capacity to maintain at least a minimally credible deterrent.

Mr. ACKERMAN. Thank you. Professor, you mentioned in your testimony that in East and Southeast Asia, the pressure for political change is the most probable source of political instability over the coming 5 to 10 years. Could you comment just a little bit further on that for us?

Mr. BRESNAN. Yes. I do not see it altogether as a negative thing. Thailand I think is a very good example. What is happening is that with the speed of economic growth, which is really extraordinary in Thailand and Indonesia, the per capital income has been growing at 4 to 5 percent for 25 years. What is happening is that people are being employed outside the bureaucracy in the private sector. That means they have a lot of economic independence of the government that they did not have before.

Their mass media are beginning to operate much more freely. I have just had a large review in an Indonesian magazine of a book I have published in recent weeks about Indonesia, which does not have altogether complimentary things to say about the President of that country. So things are opening up because the people in these societies are oppressing, or some expansion of their own opportunities to participate in their own governance.

Mr. ACKERMAN. I take it he did not write the forward for—

Mr. BRESNAN. No, he did not.

Mr. ACKERMAN. Let me turn to Mr. Faleomavaega. And perhaps he can take over the hearing.

Mr. FALEOMAVAEGA. Well, Mr. Chairman, I know the hearing has gone on for 3 or 4 hours now. However, I just want to express my sincere appreciation for the presence of your predecessor, the distinguished gentleman from New York, Steve Solarz, whom I certainly have the highest admiration for his years of service as chairman of this subcommittee.

And to Professor Bresnan, I could not agree with you more. America needs to be more export-oriented. We are not. I can give you examples of the problems that we face with that issue. But truly, I really appreciate the presence of these two gentlemen before the subcommittee this afternoon.

Mr. ACKERMAN. Professor, thank you very much for your wonderful contribution to our hearing. And Steve, it is always a delight to hear you and to listen to your views. They always make an awful lot of sense.

We have come to the point where we are about to adjourn the hearing. Do not get too comfortable.

Mr. ROTH. I have been waiting my entire life for this. [Laughter.]

Mr. SOLARZ. Mr. Chairman, I have an appointment. [Laughter.] I think I may have to leave.

Mr. FALEOMAVAEGA. Mr. Chairman, I will be willing to do it if you have to catch a flight. Yes, sure.

Mr. ACKERMAN. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Mr. Chairman unfortunately has to catch a flight, so I will be more than happy to pinch-hit for him. So Mr. Roth, I will be very happy to—

Mr. ACKERMAN. Thank you. We will continue our personal dialogue, as well.

Mr. ROTH. Just two short questions, basically. And I had a chance to either be with Milton Friedman or Steve Solarz, and I decided to come up here.

What is happening with our bases in the Philippines? Where do we stand on those now, Mr. Solarz?

Mr. SOLARZ. The bases?

Mr. ROTH. Yes.

Mr. SOLARZ. They have been closed down.

Mr. ROTH. They have been closed down. What are they using them for? Are they using them for anything at all?

Mr. SOLARZ. Clark Field, as you may know, Mr. Roth, was sort of inundated by the volcanic ash from Mount Pinatubo, which managed to achieve in 24 hours what Philippine nationalists had not been able to achieve in over 24 years. But right now it is not usable. And at some point, they will have to remove the ash. I gather it is a foot or more high. The runways are simply not usable.

In addition to that, I gather Mount Pinatubo is still a little bit unstable. It may erupt in the future. And what they call these lava flows continue from time to time, disrupting communications in the area. So Clark is really out of the picture for some time.

In the case of Subic, which was only minimally damaged by the eruption of Mount Pinatubo, they have established a kind of duty-free and export zone, to which they are hoping to attract a lot of foreign investment for the purpose of building factories and hotels and other uses. And it remains to be seen whether that will succeed, but that is what they are attempting to do.

It is not being used in any way as a military facility at this time.

Mr. ROTH. I know the question has come up here—I am sorry, because we had a mark-up in the Banking Committee today, and we have just been going back and forth. Maybe this question has come up before. If it has, well, we will just ignore it.

But in the event that GSP is cutoff to Indonesia because of alleged human rights violations and workers' rights violations, what is the potential for the economic risk, for example, to the United States?

Mr. SOLARZ. I honestly do not know what the level of our two-way trade with Indonesia is. But I think it would probably not be unrealistic to expect that if we acted in such a way, Indonesia might attempt to retaliate in one form or another. But as to whether or not this was the most appropriate thing for us to do, or whether in fact we are obligated under American law to do it, would require a degree of knowledge about the extent to which in fact these rights are being abused in Indonesia. Which I must confess I do not have, and I think you would want to get a more informed judgment on that before reaching your own conclusion.

Mr. FALEOMAVAEGA. Would the gentleman yield?

Mr. ROTH. Yes, I would be happy to yield.

Mr. FALEOMAVAEGA. On that point of the bases in the Philippines, Steve, I think they have taken about a \$500 million loss in terms of the jobs and the closure of the bases. In your recent meetings with President Ramos and others, have they really felt an economic impact with the closure of those bases?

Mr. SOLARZ. Certainly the people who lived in the vicinity of the bases have. Angeles and Olongapo, the two main towns, are becoming ghost towns. Tens of thousands of workers lost their jobs.

On a national basis, of course, that is sort of a blip in the larger economy. And to people living in areas of the Philippines that are remote from the bases, the economic consequences are fairly limited. But there is no question that from a purely economic point of view, they shot themselves in the foot.

My sense in talking to the political leadership of the country when I was there was that, while some of them regret the fact the bases are not there—I think the military clearly does—there is also a feeling that thank God the issue is behind us. I mean, it was a sore point in Philippine politics. It was a constant source of contention. Now the Nationalists do not have that particular stick to beat either us or the amboys over the head with, and there is a feeling that now, perhaps, we can move on to other things.

There are also others who had what can only be characterized as complex Freudian theories about how they had slain the father image, and now they are free to do their thing. I did not see any convincing evidence that there were fundamental transformations in Filipino politics, policy, or behavior now that the bases have been closed. But nevertheless, there are probably some among them who go to sleep at night feeling somewhat more relaxed now that the bases are not there.

Mr. FALEOMAVAEGA. Thank you, gentlemen.

Mr. ROTH. I am happy to have been able to yield. I would say that it also made for some interesting hearings and great theater here on the Hill at times.

Mr. SOLARZ. I remember them vividly from the time you referred to the letter you had received from, I believe it was a Mr. Quacha, who had testified to the legitimacy of the elections in which Mr. Marcos had proclaimed himself a victor. Although I must say, it was a tribute to you, Mr. Roth, that when it ultimately became clear that Mr. Quacha's observations were not entitled to the merit which you had originally thought, you were frank in acknowledging that you had been done a disservice by this previously anonymous gentleman.

Mr. ROTH. Mr. Solarz, do you not think if you and I would have had a little more, or applied a little more creativity and done something with Imelda and Corey, we could have come over, overcome many of these hurdles?

Mr. SOLARZ. When I think of the opportunities to promote the cause of peace and prosperity, both for ourselves and all nations, that you and I probably passed by because we were too preoccupied with the mundane requirements of our positions, I shed some tears. We would have made a powerful and potent combination. And it is undoubtedly a loss to the Republic that the two of us did not exert a greater effort to work together to promote these worth objectives.

But even in my absence, I know that you alone, unconstrained by the need to debate with me, are capable of such good works that I am sure some will trickle down. I use that phrase advisedly. [Laughter.]

To those who would take advantage of them, your efforts——

Mr. ROTH. I can only say that I am very sad that you are not in the Congress. Because when you were here, I had so many invitations to the talk shows I could not keep up with them. And now that you are gone, I cannot buy my way onto a talk show. [Laughter.]

Mr. SOLARZ. You know something funny? Now that I am gone, I cannot buy my way on, either. [Laughter.]

Though I am sorry for both of us. But I will say, we had some very vigorous debates, both in the committee and on camera. And the thing that I always appreciated was the fact that whenever those debates were concluded, the two of us walked out hand in hand, our friendship unimpaired and our professional relationship intact.

And I must say, of all of the lessons I learned around here over 18 years, one of them was how important it was for colleagues, in spite of their ideological and political disagreements, to be able to sustain a friendship. And I think we were able to do that. I know I had a lot of respect for you. I would like to think you had respect for me. And it is that kind of approach which, more than anything else, makes this institution work. I mean, I was always impressed how people who could go at each other tooth and nail in debate, could leave the Chamber or the committee room arm in arm with their relationships intact. And I think it is a tribute to the members who can do that, and it serves the interests of the country.

Mr. ROTH. I think you are absolutely correct. And one of the things that I regret is we seem to be losing some of that in the Congress, because these debates are not only in the committee and on the floor, but are being taken to the cloakroom and other places, too. And that is not good.

Mr. SOLARZ. I sensed a little bit of that. But I must say, if you watch occasionally on C-Span the question period in the British House of Commons, our Parliament looks like it is conducting a lovefest by comparison.

Mr. ROTH. Well, Mr. Solarz, let me say this, and I mean this in all sincerity. That you are one of the most gifted, if not the most gifted, and the best-informed member on the Far East. And I certainly hope that when the administration calls, that certainly you will say yes, because you have many, many years to give to your country. And I hope that you will answer that call.

Mr. SOLARZ. Well, I have not heard any birds chirping. But if and when the summons comes, I will remember what you say. But if I should follow your advice, you realize you now have a moral obligation to help me out. [Laughter.]

In the discharge of whatever responsibilities I may assume. And there is no one whose help I would rather have.

Mr. ROTH. Well, thank you, Mr. Solarz. I think you will find me in the right position, the right place.

Mr. SOLARZ. You are always in the right position.

Mr. ROTH. Upright. [Laughter.]

Mr. FALEOMAVAEGA. I thank the gentleman from Wisconsin. I am sure the dairy farmers of Wisconsin will have a tremendous interest in wanting to export products and commodities there, perhaps, in Southeast Asia.

But at any rate, I really, really appreciate the comments that you made toward Chairman Solarz. And certainly, Professor Bresnan, we really appreciate your coming to testify before the subcommittee.

I know we have planes to catch. The hearing is adjourned.
[Whereupon, at 5:30 p.m., the subcommittee was adjourned.]



APPENDIX

PREPARED STATEMENT OF
JOHN R. MALOTT
INTERIM DIRECTOR AND DEPUTY ASSISTANT SECRETARY OF STATE
BUREAU OF SOUTH ASIAN AFFAIRS
U.S. DEPARTMENT OF STATE
April 28, 1993

Mr. Chairman, members of the subcommittee, I am very pleased to be able to appear before you today to discuss the Clinton Administration's policy towards South Asia. On behalf of the Department of State's new Bureau of South Asian Affairs, I look forward to a close and cooperative relationship with you, Mr. Chairman, and the members and staff of this subcommittee, as we work together to achieve the interests of the United States in a region of the world that encompasses one-fourth of humanity.

Mr. Chairman, our key post-Cold War concerns of encouraging regional stability and nonproliferation, promoting democracy and respect for human rights, encouraging economic reform and obtaining greater access for U.S. trade and investment, countering terrorism and narcotics, preserving unhampered maritime and naval transit rights, and addressing global issues such as population growth, AIDS, refugees, and the environment all come to play in South Asia.

South Asia -- an area of 1.3 billion people, half of whom live in poverty, but most of whom live under democracy - is undergoing profound transformation. The Soviet collapse has altered significantly America's relations with the key players in the region, Pakistan and India. Since 1990, democracy has been restored in Nepal and Bangladesh, and affirmed through elections in India, Pakistan, and Sri Lanka. The failure of socialism has prompted governments to initiate market-based economic reforms and liberalize foreign investment. The fall of communist rule in Afghanistan has brought political instability and major humanitarian needs that now spread into Central Asia.

South Asia is a patchwork of technological advance and economic growth next door to abject poverty. It is the seat of political turmoil, insurgency, and war, and of national, ethnic and religious tensions. It is also a possible nuclear flashpoint.

In dealing with South Asia we confront, in one place, the key post-Cold War foreign policy concerns set out by the Clinton Administration. The situation there offers us great challenges and great opportunities. Particularly in Indo-Pakistani relations and in Afghanistan, it offers us the opportunity for preventive diplomacy that Secretary Christopher has said must mark our foreign policy.

South Asia is a place where such diplomacy can be effective. The problems are serious, but we are working to resolve them before they become crises. Aiding us in this regard is the fact that, with the end of the Cold War, U.S. influence in South Asia is considerable. Events have already shown that our involvement has and can make a difference, despite our minimal aid, trade and investment, and military links with the region.

Nevertheless, the issues we face in South Asia are not America's alone to resolve. Where appropriate, we will work with like-minded countries and international organizations to help achieve these goals. Resources from international financial institutions and other bilateral donors can augment our limited aid resources. Non-governmental organizations and U.S. business also can help accomplish our common objectives. But above all, it requires the effort of the peoples of the region, and their leaders, to effect real change.

We have the following fundamental objectives in South Asia:

- o first and foremost, to prevent war and the spread of weapons of mass destruction and their means of delivery;
- o to support economic reform and development, and obtain greater access for U.S. trade and investment and improved intellectual property rights protection;
- o to support strengthened democratic practices and institutions and greater respect for human rights;
- o to enhance military-to-military contacts and preserve unhampered maritime and naval transit rights;
- o to end terrorism;
- o to work with host governments to control the production, trafficking, and shipment of narcotics;
- o to help promote population planning, control the spread of AIDS, protect the environment, and support disaster relief efforts; and
- o to support international efforts to ensure the care, maintenance, and repatriation of the region's three million refugees.

Mr. Chairman, I would like to outline our policy approach to South Asia in three broad areas: regional security and non-proliferation; economics; and global issues. I then would like to turn to two specific areas of concern: Afghanistan and the war in Sri Lanka.

Regional Security and Non-proliferation

The primary U.S. security interest in South Asia is to prevent war, which, in the case of India and Pakistan, could lead to the employment of nuclear weapons. The President is sending Congress a report on U.S. efforts to promote regional stability and non-proliferation in South Asia. I believe it is the most comprehensive report that any Administration has prepared on this subject.

Our goals of reducing tensions, increasing regional stability, and promoting non-proliferation are closely intertwined. Our primary objective, preventing war, necessarily requires a strong focus on India and Pakistan. But I would like to make it clear that we will not neglect our interests in the other states of the region.

Our ability to achieve our goals with India and Pakistan requires that we pursue an even-handed approach. Yet we recognize that our concerns with each country sometimes are different, the actions they take are different, and our laws can affect each country differently.

India and Pakistan have advanced programs to acquire weapons of mass destruction and ballistic missile delivery systems. Continuing regional tensions between India and Pakistan, combined with these ongoing programs, mean that the outbreak of armed conflict has the potential to escalate to a nuclear exchange, with devastating consequences for the region and global non-proliferation efforts. DCI Woolsey testified before the Senate on February 24, 1993, "the arms race between India and Pakistan poses perhaps the most probable prospect for future use of weapons of mass destruction, including nuclear weapons."

We believe that India and Pakistan could assemble a number of nuclear weapons in a relatively short timeframe. Both have combat aircraft that could be modified to deliver them in a crisis. Both India and Pakistan are developing or seeking to acquire ballistic missiles capable of striking major population centers in the other country, potentially with nuclear or chemical weapons. India exploded a nuclear device in May 1974. Since 1990, the President has been unable to certify that Pakistan does not possess a nuclear device.

To address the problem of proliferation, we are pursuing a comprehensive, incremental, and long-term approach that seeks: (1) to cap, then reduce over time, and finally eliminate weapons of mass destruction and their means of delivery from the region; (2) to deal with the underlying security concerns that drive the weapons programs in each country and to help create a climate in which each country's sense of security is enhanced through tension reduction, confidence-building measures, and a process of arms control; and (3) to encourage direct high-level Indo-Pakistani discussions on regional security and nonproliferation; to supplement that with our own bilateral discussions with both countries; to encourage other countries to do likewise; and to work toward broader regional discussions.

We continue to advocate Indian and Pakistani adherence to the Non-Proliferation Treaty, but our efforts also focus on trying to achieve more immediate goals. We held two rounds of bilateral discussions on regional security and non-proliferation with India in 1992, which produced some progress and may be causing some evolution in Indian thinking. We have also had high level consultations on these issues with senior Pakistani officials and hope to establish more formal bilateral discussions with them. Russia, the UK, France, Germany and Japan have initiated their own bilaterals with India, which we welcome because it demonstrates that South Asian proliferation is not just a U.S. concern.

We recognize that the Kashmir dispute is a major source of Indo-Pakistani tensions. Although the 1972 Simla agreement provided for India and Pakistan to solve the dispute bilaterally, little has happened. The two countries must deal seriously with this issue, and we are prepared to be helpful if our involvement is acceptable to both sides.

A military standoff continues along the line of control in Kashmir. Indian and Pakistani forces have fought two wars here, and cross-border firings still take place. We believe the GOI and GOP should work to achieve near-term steps such as demilitarization of the Siachen Glacier, support the efforts of UNMOGIP to monitor the line of control, adopt confidence building measures such as ending all firing across the line of control and notifying each other of troop movements, and work for a pull-back and reduction of forces over the longer term.

In Jammu and Kashmir, militants have launched an insurgency and are resorting to terrorist attacks, Indian security forces commit human rights abuses, and the political dialogue between Kashmiris and the GOI remains stalled. We believe that outside support for the militants and the cycle of violence between the militants and government security forces must end. In addition, India should safeguard human rights fully, grant genuine access to Kashmir for international human rights groups, and pursue a meaningful political dialogue with the Kashmiris.

Economic Issues

Three quarters of South Asia's people live in rural areas, and the balance are crowded into urban megalopolises like Karachi, Bombay, and Calcutta. Average per capita annual incomes range from \$150 to \$500. The statist, socialist development policies of South Asian countries have been discredited, giving new impetus to market-oriented reform in the subcontinent. Most South Asian countries have launched economic reform programs with IMF/IBRD and bilateral assistance to reduce government controls, expand private sector activity, and liberalize foreign trade and investment regimes. South Asian leaders are committed to pursuing reforms, but resistance from vested interests and political and social constraints are slowing implementation.

The economic reform programs in South Asia, if sustained over time, have potentially significant implications for global economic activity -- and U.S. business. India has the human and natural resources to become a major player in global trade and investment, and Pakistan also has excellent potential. The subcontinent as a whole is a major potential market for U.S. firms seeking trade and investment opportunities abroad; India alone has 200 million "middle class" consumers. India's market in particular could expand rapidly in the 1990's if its economic reforms are implemented successfully.

South Asia represents a major challenge for U.S. foreign economic policy in the post-Cold War era as we attempt to promote, as well as take advantage of, the region's shift to market principles. We hope that U.S. support for regional economic and trade reform can help ensure sustainable economic growth and a climate conducive to U.S. trade and investment. We will encourage South Asian countries to spend less on defense and more on economic and social development, and to adopt a more forthcoming approach in the GATT. South Asian countries must reduce their overreliance on official bilateral/multilateral assistance for economic development and increasingly rely on private foreign and domestic investment. More efficient use of donor assistance and streamlined foreign investment regimes are imperative. India and Pakistan in particular must provide better protection for intellectual property.

The U.S. is the largest single trader and investor in the subcontinent, yet this represents less than 1.0% and 0.3% respectively of our global trade and investment. Western Europe, the Gulf states, and Japan represent the other major trade and investment partners. The U.S. ran a \$3.2 billion trade deficit with the subcontinent in 1992, providing a stimulus to its private sector, while the Gulf states, Western Europe, and Japan all ran surpluses. U.S. bilateral economic assistance to the region, including PL-480, totalled about \$500 million in FY 92, which was relatively modest compared to bilateral assistance from Japan, Germany and the U.K., and small in relation to multilateral assistance from the international financial institutions.

Global Issues

The Clinton Administration's foreign policy recognizes the growing importance of global issues, such as terrorism, democratization and human rights, narcotics, population, the environment and refugees to American interests. Nowhere does the search for effective strategies to address these challenges define U.S. resolve more clearly than in South Asia.

Terrorism

The conflict in Jammu and Kashmir, along with those in other areas, has fueled terrorist activity in South Asia. We have been particularly concerned about continuing reports of official Pakistani support for militants who commit acts of terrorism in India. We are keeping this situation under active, continuing review, and have raised this issue continuously with the Pakistani government at the highest level.

Democracy and Human Rights

The end of the Cold War presents the U.S. with an unprecedented opportunity to promote democratic values in South Asia. In tandem with these efforts, the U.S. will encourage respect for human rights and encourage and assist governments to promote greater economic freedom. There are areas of particular human rights concern in South Asia, especially connected with insurgency and war in Sri Lanka and Kashmir. We continue to follow these situations closely and are making our views known to the governments involved. A full description of our human rights concerns is given in the State Department's February 1993 report on human rights practices.

Despite a shared legacy of British legal and institutional structures, the nations of South Asia have developed markedly contrasting approaches to governance over the past four decades. Democracy is well-entrenched in India and Sri Lanka. In Pakistan and Bangladesh, democracies are fragile and vulnerable. In Nepal, leaders are struggling with the task of creating democratic institutions where none existed before.

The U.S. will encourage South Asian leaders to strengthen and to reform the electoral process, ensure the development of effective parliamentary institutions and career bureaucracies, promote active civil societies and civil participation in national and local development, and foster an understanding of the fundamental human rights which underpin democratic institutions.

Narcotics

South Asia produces the bulk of opium used to supply 20 percent of the U.S. heroin market. Our primary concerns in the region are poppy cultivation in Afghanistan and Pakistan, the operation of heroin labs in Pakistan, the illicit diversion of opium produced in India, and the corrosive effects of the drug trade on the political, economic, and social fabric of the region. In Pakistan alone there are an estimated 1.7 million addicts.

Narcotics production in South Asia has expanded because of ineffective law enforcement and the inability of governments to control drug production and processing areas. In Afghanistan, the world's second largest producer of opium, cultivation has increased as more refugees return. Political uncertainty and the lack of economic alternatives in that war-devastated country complicate counternarcotics activities.

Narcotics control is a primary U.S. policy priority in South Asia. The USG will push for regional and host country efforts to:

- o Investigate, arrest, prosecute and convict major traffickers, and seize their assets;
- o Eradicate illegal opium poppy cultivation and destroy illegal heroin refining laboratories, control the flow and illegal use of the chemical acetic anhydride used to make heroin, and develop systems to disrupt drug money laundering;
- o Promote counternarcotics cooperation among regional states and support initiatives to bring national laws into conformity with the 1988 U.N. Drug Convention; and
- o Promote drug awareness, demand reduction and rehabilitation.

In addition to working with South Asian countries to bolster their own drug control programs, we will work with other donors to provide financial and technical support.

Population

The sub-continent's 1.3 billion people comprise nearly one-fourth of the world's population, with a greater number of poor people than in all of sub-saharan Africa. The need for effective population planning is particularly acute. India's population of 880 million is expected to increase to 1.4 billion by 2025. Pakistan has the region's highest annual population growth rate -- currently 3.1 percent -- and could become the world's fourth most populous country by 2050.

The demand for both permanent and temporary methods of family planning is rising rapidly, motivated by the drop in infant and child mortality in many areas, rising economic expectations, and family planning programs such as the highly successful program in Bangladesh. However, contraceptive use rates are still too low. USG assistance programs will continue to emphasize the clear linkage between population planning and economic development in South Asia. Our population programs work to promote the full and unfettered participation of women in development to encourage planned families and lay the groundwork for sustainable economic development.

AIDS

The extensive spread of HIV/AIDS infection probably began in South Asia in the mid-1980's. The predominant mode of transmission is heterosexual. Infection among intravenous drug users also is rising quickly. USAID estimates that there are currently between 300,000 and one million HIV-infected persons in India, perhaps 150,000 in Pakistan, and an unknown but growing number in Nepal. By 1995, a cumulative total of 60,000 cases of AIDS is projected. At current rates of infection, the epidemic in South Asia threatens to become one of the largest in the world.

In South Asia there is still an opportunity to intervene to prevent the rapid spread of the AIDS disease. In particular, assistance is needed to determine what the nature and magnitude of the HIV/AIDS problem is in the population, to identify high-risk groups, and to develop effective program strategies to modify behavior. In India, where the rate of HIV infection is highest, USAID is working closely with the government to promote AIDS education and improve treatment. Programs are also underway in Sri Lanka and being developed in Nepal.

The Environment

The nations of South Asia must balance the imperative of rapid economic growth with effective environmental safeguards. Among the issues of greatest concern in the region are global warming, biodiversity, water resources development, and pollution/waste management. These problems are intensified by the region's dense population and widespread poverty. South Asian governments lack the necessary financial and technical resources to address environmental concerns and implement effective safeguards.

The U.S. will emphasize its global environmental concerns in discussions with South Asian leaders and expand their awareness of this key issue. We will also raise environmental issues during consultations with other donors and appropriate NGO's and encourage their support in areas of mutual concern. Many issues of concern, including pollution and water resources management, cut across national boundaries. The US-Asia Environmental partnership (US-AEP), a coalition of U.S. and Asian business, community groups, and governments, funded by USAID is a recent initiative to expand access to U.S. technology, expertise, and financial resources. Regional organizations, such as the South Asian Association for Regional Cooperation (SAARC) and the Colombo Plan, also could make the environment a high priority.

Refugees

There are nearly three million refugees in South Asia. As the largest donor to the United Nations High Commissioner for Refugees (UNHCR), the U.S. plays a major role in promoting the refugees' safety and well-being. In FY 92, the U.S. contributed \$19.9 million to UNHCR's activities in South Asia, including \$9.8 million specifically for Afghan repatriation. Over one million Afghans returned to their country from Pakistan last year and approximately 250,000 returned from Iran. UNHCR expects similar progress in 1993. Approximately two million Afghans remain in Pakistan, and their repatriation is a primary U.S. policy goal.

Other major refugee groups include 250,000 Burmese Rohingya in Bangladesh; 180,000 Sri Lankan Tamils in India; 130,000 Tibetans in India and Nepal; and 100,000 Bhutanese in Nepal.

Afghanistan and Sri Lanka

I have tried to describe the issues of greatest concern to us in South Asia from a regional rather than a country perspective, because most of these problems are shared, to some degree, by the countries there. However, two countries, Afghanistan and Sri Lanka, are confronting particular problems that require special mention.

In Afghanistan, the U.S. has four key goals: to promote internal stability; prevent the civil conflict there from spilling into neighboring countries; provide humanitarian and development aid; and counter narcotics production. Our ability to pursue this agenda is hampered by the absence of an effective central authority, the lack of sufficient security to permit re-opening our Embassy in Kabul, budgetary constraints, and diminished international interest in Afghanistan.

The war in Afghanistan took a terrible toll. Over one million Afghans were killed, about three million are still refugees, 7 - 10 million mines litter the countryside, and the country's basic infrastructure is in ruins. GNP, always modest, was reduced by 50% during the war, and poppy production has increased dramatically. Social indicators such as maternal and infant mortality and literacy rates - already low in Afghanistan - have worsened. Since the April 1992 fall of the Najibullah regime, Afghanistan has been ruled by a succession of interim governments, and Kabul, which largely escaped damage during the war against the Soviets, has been laid waste by internecine military conflict.

As long as Afghanistan's leaders refuse to make the compromises that would provide the foundation for a stable political order, no outside party can help bring peace to Afghanistan or aid in its reconstruction. Nevertheless, we continue to consult with the UN and key countries to build broad support for our objectives and encourage the Afghans to act constructively. And we continue to provide humanitarian support through international organizations and direct bilateral assistance to the Afghan people.

In Sri Lanka, after fifteen years of fighting between Tamil separatists and the government, the military situation remains stalemated. Almost 20,000 people have died in the fighting over the years and over the last two years alone, over 1000 civilians have disappeared. Almost 200,000 have become refugees in Sri Lanka and India.

Improvement in human rights practices by the Sri Lankan military and resettlement of refugees are continuing concerns of the USG in Sri Lanka. But beyond that, we believe that the Sri Lankan conflict can only be resolved through a political dialogue between the government and the Liberation Tigers of Tamil Eelam (LTTE). The U.S. supports a political solution to Sri Lanka's ethnic problems which preserves Sri Lanka as one country and provides its minorities with protection and dignity. We believe that Sri Lankans of all ethnic groups and political persuasions need to work out

among themselves the constitutional arrangements which will resolve this tragic conflict while preserving the integrity of Sri Lanka and the right of its people to live in political and economic freedom.

Both sides must be willing to discuss all relevant issues and seek compromise. Nothing of importance should be left off the table. We are encouraged that the Government and the LTTE have signed an agreement to open a humanitarian corridor from the Jaffna Peninsula to the mainland, and we hope the two sides will continue to take such steps, which both resolve practical problems and build confidence. The people of Sri Lanka have suffered long enough; it is time for both sides to begin the movement towards a political solution.

In conclusion, Mr. Chairman, the Administration views South Asia as a region offering significant challenges and opportunities for the United States. Even without our concerns about proliferation of weapons of mass destruction, terrorism, and lack of respect for human rights, we would have strong reason to devote our attention and what resources are available to help the people of this region attain a more secure political and economic future, and we will encourage other countries and international organizations to do the same. Thank you.

SUBCOMMITTEE ON ASIA AND THE PACIFIC
HOUSE FOREIGN AFFAIRS COMMITTEE
TESTIMONY OF GEORGE A. LAUDATO
ACTING ASSISTANT ADMINISTRATOR FOR THE ASIA BUREAU
AGENCY FOR INTERNATIONAL DEVELOPMENT

APRIL 28, 1993

SOUTH ASIA OVERVIEW

Mr. Chairman, thank you for the opportunity to discuss A.I.D.'s program in South Asia.

South Asia provides extremes in development challenges: enormous economic potential but massive, grinding poverty complicated by persistent conflict. Though India predominates in influence because of its size, the sub-continent is not a cohesive region, per se. Vast differences exist in ethnicity, religion, size of economy, income distribution, level of development, population growth rates, literacy, and democratic history.

One thing held in common is that all six of the A.I.D.-assisted countries -- Afghanistan, Bangladesh, India, Nepal, Pakistan and Sri Lanka -- are on the World Bank's list of Least Developed Countries, with current annual per capita incomes ranging from \$125 to \$500. There are more poor people in India alone than in all of sub-Saharan Africa. Yet India also has a middle class of about 200 million people, world-class scientists and, along with Pakistan, the ability to produce nuclear weapons.

Normally, when Americans think of South Asia, teeming masses come to mind. In fact, the region does contain about one-fourth the world's population -- over 1.3 billion people. India will surpass China as the world's most populous country by 2025 and Pakistan, India's major rival, will become the world's fourth most populous country by 2050. In 2050, the population of South Asia will be more than twice as large as it is today.

The Cold War, which was the underlying rationale for massive

U.S. aid to the region, has ended. Yet for Afghanistan, vast war-related devastation remains, millions of refugees are returning home, and civil conflict persists. Moreover, conflicts continue inside India, Pakistan, and in Sri Lanka, and the spectre of the use of weapons of mass destruction lurks in the background. As a result, throughout much of the region, defense expenditures are too high, blocking the path to sustained economic development.

In the post-Cold War era, global challenges can now be addressed squarely, and there are many in the region. Along with rapid population growth, which is the single greatest constraint to sustainable development in South Asia, the region is faced with unacceptably high rates of infant, child and maternal mortality. It is estimated that the scourge of HIV/AIDS is spreading at such a rate that it will surpass that in Africa by 2010, eventually affecting millions of people and draining national budgets. India alone has about 25 percent of the world's sexually transmitted diseases, providing an open avenue for AIDS transmission. Acknowledgment by governments of the epidemic, its scope, and the measures to take, still lag. Moreover, environmental degradation from population pressures, rapid urbanization and industrialization is endemic throughout the region.

In addition, the continuation of democracy in India--the world's largest democracy--and in Sri Lanka, its reemergence in Bangladesh and Pakistan, and its recent introduction to Nepal

not-too-distant future, Sri Lanka being the most likely candidate.

INDIA. India is a country that has daunting problems, but enormous potential. Its population of 880 million is still growing at over 2 percent per year. Poverty persists on a tragic scale. One of every four childhood deaths in the world today occurs in India, and two of every five maternal deaths. The problems of global concern -- the environment, population, AIDS -- all reach alarming proportions in India.

Yet, India is the world's largest democracy and has a democratic tradition unrivalled by any developing country. It has the world's tenth largest industrial base, and world-class scientific, engineering and entrepreneurial talent. The country has made significant strides since Independence in 1947, both in terms of social indicators and economic development. Once the world's largest importer of food grains, India now feeds itself. Economic growth rates of around 5 percent per year have resulted in rising standards of living.

Although modest in terms of resources, the U.S. foreign assistance program in India serves to solidify our ties with this important democracy in the South Asia region. A.I.D. programs over the years have achieved notable successes, particularly in bringing the Green Revolution in wheat and in developing the country's energy infrastructure. A recently completed irrigation project in the mountainous state of Himachal Pradesh tripled the

incomes of participating farmers, while a PVO reduced infant mortality from 169 to 30 per 1,000 live births in a program in West Bengal. We are confident that the current program will also contribute in significant ways to India's development.

Most U.S. aid is targeted at the poorest segments of Indian society. Food aid constitutes the largest share of U.S. aid, providing nutritious food supplements daily to more than 9 million malnourished mothers and children. One of A.I.D.'s most ambitious child survival and primary health care program in the world is underway in India, run by the American voluntary agency, CARE, in collaboration with the Government of India. A new program launched last year aims to prevent the spread of AIDS in southern India. One program of special importance is a new initiative to introduce modern family planning practices in India's most populous state of Uttar Pradesh. Without a reduction in fertility in the northern states -- including Uttar Pradesh -- India's total population growth rate will not decline, outstripping the potential benefits of increased economic growth.

Following decades of adherence to a socialist path of development, the government of Prime Minister Rao, in June of 1991, embarked on a historic program of free market reforms that has penetrated nearly every sector including trade, foreign investment, banking, power and industry. A goal of U.S. foreign assistance to India is to accelerate market-led economic growth by supporting these ongoing reforms, while helping to address the deep-seated problems of poverty, rapid population growth and

environmental degradation. Specific A.I.D. activities that support economic reform include funding for a National Renewal Fund that will provide financial and training assistance to workers displaced by enterprise restructuring, and technical advice for financial and capital market development. Other projects encourage Indian businesses to link up with American partners to introduce technologies which could significantly aid Indian development in such areas as energy conservation and agribusiness, while mitigating the environmental impacts of industrial operations.

The FY 1993 program level for India is \$36.6 million in Development Assistance, \$106.7 million in PL 480 Title II, and \$25 million in PL 480 Title III.

PAKISTAN. As is now widely known, no new assistance has been provided by A.I.D. to Pakistan since October 1990 when the Pressler amendment on nuclear non-proliferation required the termination of U.S. assistance. Nuclear non-proliferation is an important objective of the Clinton Administration.

Pakistan was one of A.I.D.'s largest programs, under which we provided assistance across a wide variety of sectors -- agriculture, family planning, infrastructure, education, narcotics, etc. Considerable progress was achieved in privatization, notably the Pakistan Telecommunications Corporation, investments were increased by the private sector in energy, and subsidies on wheat were removed. There were also significant achievements in increased emphasis for primary

education, expanded health coverage, and a modest increase in family planning services. Nevertheless, Pakistan remains a poor country, with especially low health and education indicators, and with a population of 117 million that will double in 23 years at its current high growth rate.

Meanwhile, the orderly Pressler wind-up continues according to law, and in close consultation with the Congress. Pakistan's once large pipeline was reduced to about \$260 million at the end of March 1993. The program will end, except for certain participant training activities, by December 31, 1994.

New exceptional authority, provided by Section 562(a) of the FY 1993 Foreign Operations Appropriations Act, allows for limited assistance to NGOs despite other provisions of law such as Pressler. No assistance will be provided to Pakistan under this provision without an explicit decision to do so within the Administration. Congress will be carefully consulted.

BANGLADESH. Bangladesh is one of the poorest and most densely populated countries in the world. Average income is \$200 per person for the 118 million people living in an area the size of Wisconsin. Since the return to democratic rule in 1991, the two major parties agreed on little else but that democracy and development strongly reinforce each other. Half the labor force is unemployed or underemployed. The country is plagued with natural disasters, the last, a cyclone in 1991, took 138,000 lives. An as yet undiagnosed cause of diarrhea has taken over 7,000 lives in the last six months. Two-thirds of all citizens

lack adequate health services. Only about 40 percent of adults are literate.

Nevertheless, with long-term A.I.D. support, Bangladesh has had impressive development successes. U.S. assistance has helped privatize fertilizer sales and helped eliminate fertilizer subsidies saving the Bangladesh Government \$141 million, lowering real fertilizer prices for farmers, and contributing to record harvests of rice. U.S. suppliers have sold 450,000 tons of fertilizer to Bangladesh, and U.S. farmers will provide almost 800,000 tons of wheat to Bangladesh in 1993. In family planning, A.I.D. has contributed since 1974 to a remarkable 600 percent increase in the percentage of couples using family planning (42 percent of couples now practice family planning). Increased contraceptive use resulted in an estimated 2.1 million fewer births in 1990 alone. Policy reforms supported by A.I.D.'s PL 480 Title III program saved Bangladesh \$35 million in food subsidies in 1991; opened grain imports to the private sector; and created savings of \$70 million through increased financial sector efficiencies. In addition, A.I.D. directly contributed to the electrification of 40 percent of the countryside, i.e., 11,572 villages. The PL 480 Title II Food for Work Program has repaired 144,000 kilometers of rural roads, embankments and canals; it directly benefits 4.5 million rural poor annually.

The goal of U.S. assistance to Bangladesh is to reduce poverty. The Bangladesh program, one of A.I.D.'s largest, emphasizes increased private investment in agriculture, access to

efficient family planning and health, and greater voice and choice in local and national government. The PL 480 Title III food aid program improves food security and sales proceeds help fund the national investment plan.

A.I.D. also leverages the resources of the World Bank and other donors to pursue policy reforms. For example, the Financial Sector Reform Project provides technical assistance to supplement and reinforce the World Bank's Credit for Financial Sector Reform Project. Other donors share the responsibility for commodity procurement in family planning and rural electrification sectors. A.I.D. also collaborates closely with other donors to implement a Flood Action Plan.

The FY 1993 program level is \$43.4 million in Development Assistance, \$8.0 million in PL 480 Title II and \$62.0 million in PL 480 Title III.

AFGHANISTAN. More than a decade of war has taken a terrible toll on Afghanistan's pre-war population of approximately 15 million. Although one million refugees have returned to Afghanistan from Pakistan, an estimated three million refugees remain in Pakistan and Iran. Over one million were killed, two million are displaced, and countless hundreds of thousands injured, maimed, crippled, widowed and orphaned.

Political instability continues, with outbreaks of fighting between various factions, primarily for control of Kabul. Nonetheless, large sections of the country are relatively peaceful.

Afghanistan's agriculture, health, and education sectors, have been devastated by the war. Agricultural production shrank to a level estimated to be as low as 65 percent of the pre-war level.

Recent data indicate that Afghanistan has one of the highest infant mortality rates in the world at 169 per 1,000 live births. Moreover, life expectancy at birth is only 42.5 years, compared to 57 years in neighboring Iran and 54 years in Pakistan.

The education system was yet another victim of the conflict. The vast majority of young people have received no education over the past 14 years. Education programs which have been implemented have been of marginal quality, conducted with limited human and material resources. Higher education, at the secondary and tertiary levels, barely exists.

The A.I.D. Cross Border Humanitarian Assistance Program to Afghanistan, initiated in 1985, has focused on these three sectors, plus relief assistance and rural reconstruction. The U.S. has been the lead donor of humanitarian assistance in Afghanistan.

Much has been accomplished by the cross-border program. Over 1,600 small irrigation systems providing water for approximately 250,000 acres have been rehabilitated. Over 1,500 health facilities have been supported and more than 2,500 basic health workers have received training. Almost ten million primary school textbooks and instructional materials have been distributed inside Afghanistan and in refugee camps, and over

1,000 primary schools have been established. Sections of major roads and bridges have been reconstructed, permitting the return of refugees to their homes.

The new A.I.D. strategy, which accommodates reduced funding levels, focuses on reducing infant and child mortality and increasing enrollment of children, particularly girls, in primary schools. While the program remains a cross-border effort, should conditions inside Afghanistan change and security permit, the program will be relocated to Kabul.

The FY 1993 program level is \$10 million in Development Assistance and \$10 million in ESF.

SRI LANKA. Sri Lanka, a democracy since independence in 1947, has among the best social indicators in the less developed world. However, these relatively high indicators do not give a complete picture of the country's development situation. Malnutrition among children has increased over the last 3-4 years, the unemployment rate is unacceptably high (20 percent), and its annual per capita income, though the highest in the region, is still fairly low at \$500. A persistent civil conflict with Tamil separatists also thwarts full development.

A.I.D. shares Sri Lanka's strategic vision of becoming a democratic, "greener" and newly industrialized country (NIC). However, annual economic growth rates of 8-9 percent would be required to attain NIC status in 10-15 years; growth rates have, however, averaged 5 percent over the last few years.

Historically, A.I.D. has contributed significantly to Sri Lanka's self-sufficiency in rice cultivation, with a major expansion of irrigated agricultural lands in coordination with other donors. A.I.D.'s major achievements include policy reform which recognized land tenure rights and local water use rights; private sector solutions to low income housing; assistance to the Colombo Stock Exchange which increased its total market capitalization by 400 percent, with 60,000 new shareholders, and \$50 million in overseas investment; and testing and introducing new agricultural products which increased agricultural incomes ranging from 15 to 45 percent. A.I.D. has also been very effective in supporting non-governmental organizations in their active contribution to the democratic process, and in raising human rights and environmental issues.

Recently, A.I.D.'s assistance has focused on supporting the country's new stock market, privatization of public enterprises and the development of financial markets; developing agricultural commercialization and infrastructure; increasing productivity; strengthening environmental oversight; and increasing public participation in democratic systems.

In FY 1993, A.I.D. is providing \$13 million in Development Assistance and \$45.9 million in PL 480 Title III.

NEPAL. Nepal is the fourth poorest country in the world, with the lowest social indicators in South Asia. The value of production in Nepal is less than half that of the smallest U.S.

state, Vermont. Nepal's national budget is less than the budget for Jacksonville, Florida. Nepal's political system, dominated by the King and a small aristocracy, was changed in 1990 following a mass movement for multi-party democracy; a new constitution was promulgated in November 1990 and free elections held in May 1991.

Nepal has borders with China (Tibet) and India. It is heavily dependent on India economically, and its economic policies have tended to approximate India's. Recent economic liberalization in India has forced Nepal to consider increasing the pace of economic liberalization.

Agriculture has accounted for 56 percent of GDP since 1980. Food crop production increased every year since 1986, but rapid population growth has tended to stagnate the level of both production and income per capita. Manufacturing accounts for 6 percent of GDP, primarily textiles and hand-made carpets. Tourism is a major foreign currency earner. The hydro-electric potential of the country is largely untapped but could be a major foreign exchange earner if India agreed to purchase power at a fair price.

Government capital spending is heavily financed by donors, with domestic taxes insufficient to cover recurrent spending. However, at the urging of A.I.D. and other donors, and with their assistance, the Government has instituted promising free market reforms, deregulation and other changes aimed at achieving a

convertible currency, and privatization of state-owned enterprises.

Thanks to 42 years of continued A.I.D. assistance, Nepal has made significant advances, contributing to efforts that have led to a drop in infant mortality by 56 percent, a jump in literacy from one percent to 38 percent, the control of malaria in the Terai region, the increase in the total amount of land under cultivation by 78 percent, an increase in total agricultural production by 80 percent, and the training of more than 4,000 Nepali technicians and professionals.

A.I.D.'s strategy is designed to increase income and employment through support for sustainable rural enterprises; support child survival and family planning programs in selected regions; and accelerate Nepal's development through free and open economic and democratic pluralism. Specifically, U.S. assistance emphasizes liberalizing markets through business deregulation and financial reforms, and decreasing the role of the public sector in the economy; strong sectoral emphases continue in agro-enterprise, forestry and health/population. A.I.D. is also assisting the Parliament to strengthen its secretariat and is promoting judicial reform.

In FY 1993, A.I.D. is providing \$15.2 million in Development Assistance and \$111,000 in PL 480 Title II.

Thank you, Mr. Chairman.

STATEMENT
BY
MR. FREDERICK C. SMITH
DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR
NEAR EASTERN AND SOUTH ASIAN AFFAIRS
(ACTING)

BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE ON EAST ASIA AND PACIFIC AFFAIRS
HOUSE OF REPRESENTATIVES

April 28, 1993

Mr. Chairman, members of the subcommittee, it is a pleasure to appear before you today representing the Department of Defense. I wish to associate myself with the statement and remarks of my Department of State and AID colleagues, John Malott and George Laudato.

Our national security interests in South Asia are both limited yet fundamental:

- Preventing war and the spread of weapons of mass destruction and their means of delivery;
- Preserving unhampered naval and maritime access through the region;
- Promoting strengthened democratic processes and institutions and greater respect for human rights; and
- Enhancing professional military-to-military relationships with friendly nations.

The resources available to the Department of Defense to achieve these goals are limited. Since the suspension of security assistance to Pakistan in Fiscal Year 1991 under the provisions of the Pressler Amendment, all government sales and transfers of military equipment and technology to Pakistan were suspended. We are engaged in discussions with our Pakistani colleagues on how best to terminate contracts and dispose of assets that now seem unlikely ever to be delivered. There is no FMF funding allocated to any country in South Asia for Fiscal Year 1993. In Fiscal Year 1994, the Administration is proposing a new recipient for grant Foreign Military Financing, Bangladesh, in the amount of \$500,000. Funds requested for Bangladesh would be used for spare parts and maintenance of relief equipment that we donated to that disaster-

prone country in the wake of the 1991 cyclone and Operation Sea Angel.

We do not anticipate any significant American arms sales to South Asia next year, whether through the Foreign Military Sales program or direct commercial orders.

The International Military Education and Training program, one of our foremost means of achieving our goals of promoting democratic processes and institutions, greater respect for human rights, and improved military-to-military relations generally, will continue for our South Asian friends at about the same levels as in the past two fiscal years. Recipients include Bangladesh, India, the Maldives, Nepal, and Sri Lanka. Pakistan, of course, has not been permitted to participate in the program since 1991.

In the absence of greater security assistance resources for South Asia, which the Administration is not seeking, the Department of Defense has had to rely more than ever on a variety of less formal and more ad hoc approaches:

- Visits to the United States by high-level South Asian military leaders and to South Asian countries by senior U.S. military leaders are frequent occurrences. Several of our chiefs of staff of the military services and their Pakistani and Indian counterparts have visited each others capitals for consultations and tours of our military installations in the past year. In the field, the U.S. Unified Command Plan splits this region between the U.S. Central Command and the U.S. Pacific Command, with Pakistan in one and India in the other. To help expand our understanding of both these major regional players and also to serve as a confidence building measure between them, we have begun the practice whereby each CINC visits both countries on his trips to the region. In addition to the commanders of the Unified Commands, the heads of their service components are also frequent visitors.

- South Asian military officers are routinely represented in the student bodies of the National Defense University and the service war colleges, and our officers attend their schools. The opportunities to attend our war colleges and other professional military education in the United States are especially prized, and we think are highly effective in conveying the proper role of the military in democratic societies and heightened respect for human rights.

- A total of six students from South Asia are currently enrolled as cadets and midshipmen at the U.S. Air Force and Naval Academies.

- Our military exercise program in South Asia is still modest, but it has grown substantially. With the end of the Cold War, we have been able to hold exercises in a number of countries that would have found such activity politically difficult in the past. Ship visits to Pakistan, India, and other regional ports are routinely scheduled.

- We have also encouraged regional states to participate in United Nations peace keeping operations and have been able to provide modest support to them for these purposes. In particular, I would like to acknowledge the tremendous efforts of Pakistan, India, Nepal and Bangladesh. The resultant exposure to our own U.S. participants and those of other countries further supports U.S. objectives for South Asia.

- For several years, we have supported a U.S.-India Strategic Symposium which alternates between the two countries and provides a semi-official forum for the exchange of ideas among government officials, retired officers, academics, and diplomats. We have been extremely pleased with the results and hope to institute similar structures elsewhere.

In closing, Mr. Chairman, I would like to say a few words about the recent change of government in Islamabad. Unfortunately, Pakistan's history would normally lead one to assume that another military coup took place. That would be an absolutely false assumption about the dismissal of the Nawaz Sharif government on April 18. The political contest between the President and Prime Minister did not involve the army in any way beyond routine security duties in the capital. Indeed, the Chief of Army Staff, General Waheed, was scheduled to come to the United States on an official visit and was asked, just before the dismissal of the Assembly, to cancel his absence from Pakistan for the time being by both the President of Pakistan and PM Sharif. When asked about the constitutionality of the President's action, General Waheed replied that this was a matter for the courts, not the military. An official Pakistan Army statement later said that, "The country's Armed Forces are not for or against individuals. They stand for institutions." We in the Department of Defense are confident that the military has neither the intention nor the desire to intervene in the current political situation.

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AMERICAN POLICY AND SOUTH ASIA

James C. Clad

Senior Associate
Carnegie Endowment for International Peace

- I The Kashmir Situation and U.S. options
- II India and the U.S.

Testimony before the Subcommittee on Asian
and Pacific Affairs, Committee on Foreign
Affairs, U.S. House of Representatives

April 28, 1993

Mr Chairman, thank you for inviting me to appear here today. My interest in South Asia arises from several years in Delhi prior to 1991 as both as South Asia Correspondent for the Far Eastern Economic Review and as president of the Foreign Correspondents Association of South Asia. Currently I am a Senior Associate with the Carnegie Endowment; I follow South Asian affairs through periodic visits to the region and by writing about the subcontinent for the specialist and daily press.

I want today to touch on just two of many issues in South Asia, and to suggest to you what the American approach to these should be.

- * First, an appalling crisis continues to afflict the Kashmir valley, embittering relations between India and Pakistan and raising the risk of war between the two countries.

- * Secondly, South Asia--India in particular--is now experiencing irreversible and complex change. Americans need to understand this change and to comprehend the potential investment returns from India's economic liberalization. Most of all, we must avoid the tendency to vilify some of India's political protagonists, notably the Bharatiya Janata Party (BJP)--the strongly nationalist movement which could come to power after India's next general election.

3 - Kashmir

The insurrection erupting after December 1989 in the Kashmir valley--where the majority of people residing in the state of Jammu & Kashmir live--continues to frustrate the sternest efforts by India's security forces to suppress it.

On a 'soldier per-capita' basis, the Kashmir valley may now have the highest concentration of security forces in the world: cohabiting the Kashmir valley beside the 4 million Kashmiris are as many as 400,000 regular army and para-military troops, a ratio of 1:10.

At present a "line of control" (LOC) divides the former princely state of Jammu & Kashmir, separating the Indian and Pakistan armies. Pakistan occupies approximately the western third of the state while India occupies about 55%, including most of the populous Kashmir Valley. China occupies the remainder of the state--in the Aksai Chin and other alpine areas unilaterally ceded by Pakistan in 1963.

After 45 years, the Kashmir dispute remains intractable because Kashmir is basic to the self-definition of India and Pakistan.

For India, retaining the state of Jammu & Kashmir within India gives credence to the non-religious, secular constitutional

foundation of the Indian Union. For Pakistan, the incorporation of the entirety of the territory of Jammu & Kashmir amounts to the last unfinished business of 1947, when British India was decolonized and partitioned along religious lines.

The present crisis results from India's inability to eliminate the various Kashmiri independence groups which comprise the militant movement seeking to expel India by force from the Kashmir valley. I am quite satisfied that most Kashmiris, let alone the militants, now desire independence for their homeland from both India and Pakistan.

Guerrilla training and weapons in the Pakistan portion of the divided territory are channelled only to militants seeking to incorporate Kashmir into Pakistan. This help, coordinated via Pakistan's military intelligence service, began to abate somewhat during 1991-92 but to my knowledge it has never ceased.

The methods employed by Indian forces in Kashmir are not pretty. On several occasions I visited the Valley in the aftermath of shootings and witnessed such levels of trauma that I am prepared to believe most accounts of Indian atrocities as documented by international human rights organizations. That some of the militants have committed abuses of their own is also incontestable.

By all accounts, the level of intensity and frequency of occurrence of officially sanctioned abuses has been rising in

recent months. In Srinagar, ~~for example~~, Indian security forces on April 12-13 burned down hundreds of residences and shops in the central market district. Credible reports say that over a hundred Kashmiris may have died in this incident alone. Deaths of Kashmiris in the custody of Indian security forces have also been rising in recent months.

What can or should the United States do about this? We must be very mindful of our limitations. The centrality of Kashmir to the self-definition of India and Pakistan means our options are limited. We cannot presume to dictate a solution, no matter how fearsome the conflict.

However, and within the context of a slow but discernible tilt by the United States toward India as the predominant power in South Asia, I think our present policy (which began to congeal during the last years of the Bush administration) is generally on the right track. On the premise that the most important immediate objective must be a reduction of suffering, and given also that both Pakistan and India will never countenance a independent sovereign Kashmiri state, I urge the following modifications to U.S. policy.

(a) The U.S. should not identify Pakistan as a government sponsoring terrorism merely (or even in part) to gratify India. After all, some reduction in Pakistan-sponsored incursion into Indian-occupied Kashmir did occur during 1991-92, as the United States then sought. If we proceed to add Pakistan's name to our

lists of outlaw states, we must also take the same opportunity to cite India's covert efforts to destabilize Pakistan, notably in the Sindh province;

(b) The U.S. should opt for the eventual partition of Jammu & Kashmir within the context of an overall normalization of Indo-Pakistan relations. Guarantees of free movement for Kashmiris must accompany the transformation of the LOC as the international frontier. A simultaneous reopening of long-closed border crossings elsewhere along the two countries' 2,000 kilometer boundary must also occur.

So must a steady withdrawal of Indian security forces--especially of the Central Reserve Police Force and the Border Security Force whose behavior so deeply alienates the Kashmiri people. Genuine localization of most public powers excepting defense and foreign affairs will also be necessary in both the Pakistan and Indian occupied areas of Jammu & Kashmir.

(c) Lastly, the United States must start working now to persuade India to accept an active UN component in any transitional arrangements devised to reduce the level of violence in Indian-occupied Kashmir, and to arrange simultaneous elections on both sides of the territory. The Indians still insist on dealing with Kashmir bilaterally with Pakistan, within the context of a now 20-year-old agreement reached at Simla in the aftermath of the Bangladesh war. That approach has patently failed, and the UN's

legitimizing presence should be brought into a peace process such as I have outlined above.

In January this year, Ambassador Sam Lewis while still serving as president of the U.S. Institute of Peace initiated an unprecedented dialogue on Kashmir involving non-official but influential participants, both of Kashmiri origin as well as others from India and Pakistan. I hope that this dialogue can continue under the Institute's auspices but with attentive monitoring by the State Department. It is a useful step.

A final word on Kashmir. The decades-old drive by India and Pakistan to enhance their nuclear weapons capability derives its momentum from a near-permanent state of hostility fueled in large part by the Kashmir dispute. Other specialists will testify today about the nuclear dimension, but I want to stress my view that normalized relations between these two countries--with partition of Kashmir at the core--must occur before any real possibility can emerge of slowing the momentum behind their nuclear weapons acquisition. Whatever we attempt, I am wary of the easy posturing that comes from attempts to tie U.S. bilateral aid to Indian (or to Pakistani) flexibility. On the other hand, I do believe that behind-the-scenes American and Western pressure, exerted via conditionality in multilateral aid finance, can influence Indian and Pakistani decision-makers.



Economic and Political Change in India

Nearly five months after the December 1992 destruction of a symbolically charged mosque at Ayodhya, India's minority government of prime minister Narasimha Rao is still struggling to regain momentum. In riots last February convulsing Bombay and other major cities, many Indians and most outsiders saw the threatening specter of Hindu nationalism, led and mobilized by the Bharatiya Janata Party (BJP). The BJP has the second largest number of seats (126) in India's parliament and has become the principal opposition party.

The BJP's phenomenal rise since 1984--when it won just two parliamentary seats--mirrors the disarray in India over the last four years. India's tumultuous recent events include the outbreak of the Kashmir insurgency; terrorist attacks in the Punjab, Assam and Tamil Nadu; widespread civil unrest over plans to create a quota of government jobs for lower caste Indians; the assassination of former prime minister Rajiv Gandhi; a severe balance of payments crisis in April 1991, the continuing criminalization of state politics, and recurrent Hindu-Muslim disturbances over the effort to displace the Ayodhya mosque with a Hindu temple.

In exactly the same period of time, however, India has continued to deregulate its command economy and welcome foreign investment. Its middle classes, numbering in the tens of millions,

grows steadily more assertive. Its scientific and technical personnel--the world's third largest--routinely travel to the West and return to set up high-tech businesses. On one estimate, India's programmers, working by satellite out of India, help to keep the U.S. software industry competitive vis-a-vis the Japanese.

What I am describing is an India undergoing nothing short of a post-independence transformation. In this transformation, both the old guardians and old certitudes are disappearing; many members of Rao's Congress party, which has ruled independent India for all but five years since 1947, now expect the BJP to win the next national election, which must be held by 1996.

To be sure, some members of the BJP's affiliated groups speak in language scarcely indistinguishable from religious hatred. The BJP-endorsed campaign to demolish mosques allegedly built on the site of pre-existing Hindu temples is provocative to India's approximately 120 million Muslims (a figure that makes India the world's second largest 'Muslim country' after Indonesia).

But the tendency to vilify the BJP, apparent in some Western reportage from India, does much disservice to our understanding of the type of nationalism the BJP embodies. The party includes some--not many--Muslims. It represents the interests of small and medium traders, promising a thorough liberalization that will sweep away India's many layers of petty bureaucracy.

In particular, the BJP ~~exploits~~ exploits a strong sense that the much touted "secularism" of the Congress party results in blatant favoritism of Muslims, especially at election time. The BJP sees the Congress party carving up of India's population into "vote banks" which routinely deliver electoral victories after divisive scare tactics.

Whatever the soundness of this view, many signs point to the BJP coming to power in the near future. If so, does the prospect threaten American interests or ideals? I think not; the record of past governance shows the BJP behaving much more moderately than parts of its inflated rhetoric suggest. The prospect of a less corrupt, more disciplined government has much to commend it, while the true opening of the vast, increasingly middle class Indian domestic market offers great opportunity to American firms.

I make these points not to display how esoteric Indian politics is but rather to warn against an automatic favoring by the United States of the now foundering Congress Party. Given our strategic position as the lead foreign investor in India, it would be a pity if relations were to sour over a misreading of the BJP's mission, all the more so as the business opportunities offered by an opening Indian market are finally becoming apparent to large U.S. firms which, like General Electric and other corporations, are making new investments in India.

Finally, in the area of economic diplomacy we have had our

differences with the Indians, ~~most~~ notably in the field of intellectual property protection, and in pressure to open India's closed markets in insurance and banking services. I think that overt pressure, as in Super 301 watchlisting of India, has not yielded much progress; India's liberalization results most of all from the loss of confidence by Indians themselves in the command economy model of development. Instead of concentrating too much specific market access issues I would prefer to see American diplomacy concentrate on the advantages that would come to all South Asian countries from a wider regional marketplace. After all, over a quarter of the human race live in South Asia; the economic benefits to them (and to us) from a robust regional agenda (which could include joint electrification projects and the like) would be enormous.

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Testimony
of
Mitchell Reiss
Guest Scholar
Woodrow Wilson International Center for Scholars
Washington, D.C.

before the

Subcommittee on Asia and the Pacific
Committee on Foreign Affairs
House of Representatives
United States Congress

April 28, 1993

I am grateful for the opportunity to address the subcommittee today on the subject of nuclear non-proliferation in South Asia. I would like to read a brief written statement that I have prepared and also submit a formal statement into the record.

The Current Nuclear Situation in South Asia

Currently, India and Pakistan are each believed capable of assembling nuclear weapons upon very short notice. India is thought to have the ability to construct a nuclear arsenal of between 20-50 nuclear weapons, while Pakistan's capability is believed to be between 2-10 nuclear weapons. Neither country is a party to the nuclear Nonproliferation Treaty (NPT), neither has accepted international safeguards on all their nuclear activities, and both are actively enhancing their ballistic missile delivery capabilities.

While these capabilities alone would be cause for concern, it is the domestic and regional environment in which this nuclear competition occurs that is particularly troubling. Communal passions erupted in South Asia in December 1992, when a mob of Hindu fundamentalists destroyed the remains of the Ali Babri mosque, while local authorities failed to intervene. This incident revealed long-simmering resentment and ethnic hatred among some Hindus towards Muslims in India, sentiments that have achieved a form of

political respectability with the growing popularity of the Bharatiya Janata Party (BJP). Human rights atrocities have continued in Kashmir, due to an ever-mounting cycle of violence by Muslim separatists and recriminations by Indian security forces. Migrations across porous borders have created new national security problems in the region and led to growing incidents of criminal behavior and terrorism. The increasing strain placed upon limited natural resources by rapid population growth has also aggravated both interstate and intrastate relations on the subcontinent.

With respect to nuclear matters, the lack of an articulated nuclear doctrine by either Delhi or Islamabad, the absence of sophisticated command and control systems, and the traditional mistrust and suspicion that has characterized relations between India and Pakistan, all increase the risk that the next bilateral crisis could escalate to the nuclear level, whether through miscalculation or misunderstanding. The consequences would be devastating for millions of people in the region.

Past U.S. Nonproliferation Efforts

Past efforts by the United States to prevent a nuclear arms race in South Asia have largely proved unsuccessful. In 1974, India conducted what it termed a "peaceful nuclear explosion" (PNE). The U.S. Congress

responded by passing the 1978 Nuclear Nonproliferation Act (NNPA). Armed with this legislation, Washington attempted to use its 1963 Tarapur fuel supply agreement with India to force Delhi to accept full-scope safeguards. India refused, and accused the U.S. of unilaterally and retroactively trying to rewrite the terms of the 1963 agreement. The resulting impasse dominated Indian-American relations for five years, until the Reagan Administration agreed in 1982 to let France provide the low-enriched uranium fuel for the two Tarapur light-water reactors; in return, India agreed to maintain safeguards on the Tarapur facilities and the resulting spent fuel.

With respect to Pakistan, its efforts to acquire a nuclear weapons capability repeatedly brought it into conflict with U.S. nonproliferation laws during the 1980s. In each case, Washington decided that Islamabad's cooperation in fighting the Soviet forces in Afghanistan overrode any nonproliferation concerns. Five times since 1981, Washington waived U.S. laws intended to restrict the spread of nuclear weapons-related technologies in order to continue to provide Islamabad with substantial economic and military aid.

In October 1990, the United States terminated economic and military assistance to Pakistan, in accordance

with the Pressler Amendment. The Pressler Amendment requires the president to certify annually that Pakistan "does not possess a nuclear explosive device and that the proposed United States assistance program will reduce significantly the risk that Pakistan will possess a nuclear explosive device."

In an attempt to win back Washington's favor, Islamabad has claimed that since 1990 it has not enriched uranium above the 20% level, not milled any enriched uranium into metal, and not shaped any metal into weapons cores. Pakistan has also reiterated its intention to sign the NPT, agree to a regional nuclear-weapons-free zone, freeze the production of fissile material, conclude a bilateral or regional test ban treaty, and accept full-scope safeguards, as long as India does the same. Still, Pakistan has not destroyed the cores that it stockpiled before October 1990, and in February 1992, Pakistan's foreign minister admitted that the country possessed a nuclear device.

Current U.S. Nonproliferation Efforts

The United States during the past few years has proposed a number of ideas to restrain the nuclear arms race on the Indian subcontinent; these have met with limited success.

In 1991, Washington proposed a meeting of five

powers -- India, Pakistan, China, the United States and Russia -- to discuss a broad range of regional issues, including nuclear proliferation. Delhi rejected this proposal, and only reluctantly agreed to enter into bilateral discussions with the United States. Two meetings were held in 1992, neither of which was particularly productive.

Washington has also encouraged both India and Pakistan to adopt confidence- and security-building measures (CSBMs). In January 1992, Delhi and Islamabad finalized a 1988 agreement not to attack each other's nuclear installations by exchanging lists of nuclear facilities; these lists were updated in January 1993. Both sides have promised not to develop or deploy chemical weapons. Other agreements include the implementation of no-fly zones close to the border, establishment of a "hotline" between the Director-Generals of Military Operations, and advance notification of any military exercises above a certain troop level or within a certain distance from the border.

Future Issues of Congressional Concern

There are a number of nuclear-related issues that will be arising during the next few months to which I would like to draw your attention.

The third round of the Indian-American bilateral

talks is planned to take place this spring. At present, there is little reason to expect that this next meeting will be any more successful than the previous two meetings.

Second, later this year, it is expected that India will conduct the third flight test of its Agni ballistic missile, an intermediate-range ballistic missile (IRBM) that Indian officials have termed a "technology demonstrator." Many observers believe that the Agni is a stepping-stone to India's development of an intercontinental ballistic missile (ICBM) later this decade.

Third, this October, the Tarapur fuel supply issue will resurface when the 1963 U.S.-Indian atomic energy cooperation agreement expires and India's fuel supply contract with France ends. India claims that after these agreements end, it will no longer be obligated to accept IAEA safeguards on Tarapur and its spent fuel; this fuel could be reprocessed to extract weapons-grade plutonium. The U.S. and France argue that IAEA safeguards should continue to apply and have also told Delhi that India must accept full-scope safeguards before either country will provide additional fuel.

With no foreign fuel supplier, India's alternatives are to shut down Tarapur or produce the fuel indigenously. Shutting down the reactors would be costly

because the two Tarapur reactors are the most efficient ones in the country, providing 10% of the electricity for Gujarat and Maharashtra, the states that comprise India's industrial heartland. Yet India's options for domestic nuclear fuel production are limited. India's best bet is a mixed-oxide (MOX) fuel that would contain both natural uranium and plutonium, but the manufacture of this fuel would be a demanding scientific and engineering challenge.

With respect to Pakistan, it would be extraordinarily difficult for any popularly elected Pakistani government to unilaterally "roll back" the country's nuclear program by destroying its stockpile of highly-enriched uranium cores, as it must to comply with the Pressler Amendment. The Bush Administration requested Islamabad to do this in 1990 and 1991, to no avail.

Moreover, the Pressler Amendment imposes a structural impediment to progress on the nuclear issue. As long as the Pressler Amendment remains in force in its present form, Delhi has little incentive to help alleviate Islamabad's predicament by negotiating constructively on the issue of nuclear proliferation in South Asia. India will be reluctant to help Pakistan achieve what Pakistan cannot achieve for itself. It is imperative that both Congress and the Clinton Administration examine whether this legislation contributes to a prudent, sustainable U.S. nonproliferation policy for the region.



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Human Rights in South Asia

Testimony of Holly Burkhalter,
 Director, Washington Office, Human Rights Watch

Before the House Subcommittee
 on Asia and Pacific Affairs
 The United States Congress

Wednesday, April 28, 1993

Thank you for holding this hearing, Chairman Ackerman, and for inviting me to testify. My name is Holly Burkhalter, and I am the Washington Director of Human Rights Watch, appearing today on behalf of Asia Watch, a division of Human Rights Watch. We appreciate your concern for the serious human rights situation in South Asia.

Asia Watch has closely monitored and investigated human rights abuses in Pakistan, India, including Kashmir, Sri Lanka, and Burma. In my testimony today I have concentrated particularly on India and Pakistan. However, I would like to make it clear that Human Rights Watch does not rank countries in terms of their human rights problems. There is much to say about human rights in all of South Asia, and our particular emphasis on Indian abuses in Kashmir in this testimony should not overshadow our serious concerns throughout the region.

India

Asia Watch has a number of concerns about human rights in India. One of the most important is the Indian authorities' role in helping foment ethnic and communal violence which has fueled the rising tensions throughout the country. In the riots that followed the destruction of the mosque at Ayodhya in December, a disproportionate number of those killed were Muslims shot by mainly Hindu police. In some cases, those shot

dead were pulled from their homes and summarily executed. In January, Muslims in Bombay were again the principal target of Hindu mobs and fled the city by the hundreds. An inquiry into those riots has just commenced.

Such partisan behavior against minorities by police and political parties is not new, but successive governments have repeatedly failed to take action against those persons in power, including police and party officials, who have perpetrated abuses against minority communities. As a result, groups which promote such bigotry -- including the police -- believe they can operate with impunity. India's government must send a clear signal that such behavior will not be tolerated. To do that, it should ensure that all those responsible for murder, assault, arson, incitement and other crimes -- including party officials, police and other political leaders -- are prosecuted and punished. That is the only way to demonstrate that the authority of the state rests on principles of impartiality and equal justice, and it is the only way to instill faith in the government among minority groups who now feel betrayed.

Another human rights of concern to us is the ubiquitous practice of torture by the police of common criminals in Indian police stations and jails. While the phenomenon of gross torture of political detainees in conflicted areas such as Kashmir and Punjab is well documented, the torture of common criminal defendants is a much less well known practice. We have found that a large number of criminals from the lower social and economic classes suffer abuse, torture and appalling conditions of confinement. In many cases, torture of common crime offenders is related to the corruption that pervades the Indian penal system, with prisoners and their families essentially forced to bribe abusive police officials to avoid torture, and those who cannot pay such bribes subjected to indecent abuses at their hands.

Although it is but one of several human rights problems in India, I would like to focus particular attention in this testimony on the grave situation in the disputed area of Kashmir, which has been the site of a brutal conflict between Indian security forces and armed Muslim insurgents demanding independence or accession to Pakistan. (Asia Watch takes no position on the status of the area.) We are highlighting the situation in Kashmir today because abuses have accelerated dramatically in the past two years, and particularly in the past several months.

We have conducted several investigations in Kashmir since 1990 to document abuses by both Indian security forces and armed militant groups. While both sides have committed grave abuses against the civilian population, by far the greatest number of human rights violations and violations of the laws of war have been committed by Indian government forces, particularly the federal paramilitary troops.

The federal paramilitary troops deployed in Kashmir include the Border Security Force and the Central Reserve Police Force. There is also a significant contingent of Indian army troops, largely deployed the Pakistan border. The Border Security Force and Central Reserve Police Force are directly under the control of the Home Ministry, and are widely understood to be responsible for the majority of the gross violations of human rights of

Kashmiris. As recently as the first two weeks of this month, the Border Security Force and other paramilitary troops laid waste to a large section of Srinagar, the summer capital of the state of Jammu and Kashmir. According to international press reports, Border Security Forces set fire to hundreds of homes and shops in the city following an attack by militants on Indian forces in the area. More than 125 people were killed, some burned to death and others pulled from their homes and shot by security forces. *The New York Times* reported that "The blaze in Srinagar, the first major conflagration to consume a significant section of the city, was set by rampaging Border Security Forces, according not only to local residents, but also to a senior official of the security forces here. 'A cop came and said to me, 'the B.S.F. is burning everything in sight,'" said this official, who would speak only with an assurance of anonymity. 'I asked him how he knew. He said, 'One of the B.S.F. borrowed a matchbox from me.'"

The burning and killing in Srinagar was only the latest in violent outbursts by the security forces against civilians in reprisal for militant attacks or alleged attacks. Asia Watch investigated an incident last October, for example, where a man and a woman were burned alive in Badasgam when B.S.F. troops locked them in a shop and torched it and ten other buildings after mistaking a sonic boom for a militant attack. An army investigator later confirmed that the troops' action was "unprovoked."

The actions of these forces have been marked by particularly wanton cruelty towards civilians, including rape, executions of civilians in reprisal attacks, summary executions of detainees, systematic torture, attacks on medical workers and systematic arson against civilian property.

Indian army troops in Kashmir are also involved in serious abuses of human rights, including rape. For example, in October 1992, Indian army soldiers raped as many as eight Kashmiri women and an eleven-year-old Kashmiri girl. It is interesting to note however, that when human rights cases involving Indian army troops are publicized, the Indian authorities are embarrassed and take great pains to exonerate them. In a 1991 case of reported gang rape by army troops which was widely publicized in Kashmir, the government went to great lengths to discredit the reports, though they never conducted a proper investigation of the incident.

In contrast, in the case of the federal police and security forces atrocities such as rape, torture, burnings, and mass killings are considered routine and do not appear to embarrass the government to the same extent. Indian military and civilian officials are well aware of such practices by the security forces, but tolerate them and appear unwilling to take any steps to end them. Moreover, the head of the Border Security Force, I.G. Patel has been reported by the Indian press to have close ties to the BJP political party, an extremist, nationalist party which supports a hard-line military position on Kashmir. Last October, the prominent Indian weekly newspaper, *The Illustrated Weekly* reported that the Director

¹"Indian Troops are Blamed as Kashmir Violence Rises," by Edward Gargan, *New York Times*, April 18, 1993.

General of Police, Bedi, acknowledged that he had no control over Border Security Force Inspector General Patel.²

Kashmiri militants also commit gross abuses of human rights, which we report on regularly. As we noted in our most recent report, militant forces have assassinated Hindus and Muslim civilians in the Kashmir valley. They have accused some of being informers, others of supporting government policies or being otherwise opposed to the objectives of various militant groups. In early 1990, members of the Hindu minority took the brunt of these attacks. The murders and attacks drove many Hindu and Muslim professionals to flee Kashmir. Rape and other violent attacks on women by militant groups has also increased. Militant groups have also engaged in indiscriminate attacks which have wounded and killed civilians, detonating car bombs and other explosive devices. These attacks, killings, rapes and other abuses constitute grave violations of international law.

As the State Department Country Reports for 1992 notes, "In Jammu and Kashmir state, militant groups seeking Kashmiri independence continued to carry out politically motivated killings on a wide scale, targeting government and police officials, alleged police informers, members of the press, and members of rival factions. Among the victims were the daughter of a former Member of Parliament, an employee of the state road transport corporation, and Nazir Siddiqui, who earlier mediated the change of militant detainees for a kidnaped Indian oil executive." Asia Watch is very concerned about the role that Pakistan has played in Kashmir in aiding groups which have also been responsible for grave abuses against civilians, including assassinations, indiscriminate bombings and grenade attacks, and rape.

Attacks on Human Rights Monitors

The armed conflict in Kashmir is now in its fourth year. Far from seeing any improvement in the behavior of the Indian security forces, Asia Watch has documented an increase in abuses and an escalation of the violence -- particularly in the past eight months. An important measure of this has been the increase in attacks on human rights monitors. Since December 1992, three human rights activists have been killed in Kashmir, making it now one of the most dangerous places in the world to do human rights work.

On December 5, 1992, Hirdai Nath Wanchoo, a retired trade unionist and one of the most prominent human rights activists in Kashmir, was shot dead by unidentified gunmen. H. N. Wanchoo had documented hundreds of cases of extrajudicial killings, and had prepared *habeas corpus* petitions of behalf of detainees held illegally in secret detention centers run by government forces. He dedicated his life to documenting every extrajudicial killing, death in custody and disappearance by security forces in Kashmir.

On February 18, 1993, Dr. Farooq Ahmed Ashai, an orthopedic surgeon who had

²"The Men Behind the Masks," *The Illustrated Weekly*, October 10-16, 1992.

documented cases of torture and indiscriminate shootings by security forces, was shot by paramilitary troops at a security post while he was returning home in the evening. The security forces did not permit his wife to take him promptly to a hospital for medical care. They were finally permitted to leave, but Dr. Ashai died from blood loss shortly after reaching the hospital.

On March 31, 1993, Dr. Abdul Ahad Guru, a leading Kashmiri cardiologist, was abducted by unidentified gunmen and shot dead. Dr. Guru had been a senior political leader of the militant organization the Jammu and Kashmir Liberation front, or JKLF, and an outspoken critic of the Indian government's human rights record in Kashmir. He too had documented numerous cases of torture. Dr. Guru's political position also made him a target for rival militant groups and other hard-line elements threatened by his participation in government negotiations to find a settlement to the Kashmir conflict. His death remains a mystery.

Despite the urging of Indian and international human rights groups for judicial inquiries into these killings, Indian government authorities have been unwilling to establish independent investigations into any of the cases. Moreover, these are not isolated cases. While human rights monitoring has become particularly dangerous in Kashmir, human rights activists have also been detained, assaulted and in some cases killed in Punjab, Andhra Pradesh, Assam and elsewhere in India.

Summary Executions and Reprisal Killings

Together with these targeted killings of individuals, there has been a sharp increase in other abuses in Kashmir, particularly the summary executions of detainees. During a visit to Kashmir in October 1992, Asia Watch and Physicians for Human Rights (PHR) documented 44 deaths in custody and extrajudicial killings, 15 cases of rape, 20 indiscriminate shootings of noncombatants and 8 cases of torture. More than 80 percent of the cases had occurred during the week the investigators were in Kashmir or in the two preceding weeks. Human rights monitors in Kashmir have documented more than 100 deaths in custody between July and October 1992. Several hundred more have been recorded in the past six months.

Many of these killings are in fact summary executions of detainees in the custody of the security forces. In most cases, the detainees are taken into custody during search operations, customarily called "crackdowns," during which a neighborhood is cordoned off and all men forced to assemble in a schoolyard or other open place. They are then paraded before hooded informants. Those pointed out by the informants are taken away and within the next few hours, several of the detainees may be shot dead and their bodies dumped on the streets. It has reached the point in Kashmir that those who are actually taken to military interrogation centers can count themselves lucky. At least they are still alive.

In addition to these "custodial deaths," the security forces frequently engage in reprisal attacks against civilians. In Kashmir, much of the civilian population is sympathetic

to the militants in Kashmir, in large part because of the brutality of the security forces. While extrajudicial executions, rape and arson attacks on civilians have characterized security operations throughout the conflict, the civilian casualties from such attacks have escalated sharply in recent weeks.

On January 6, 1993 in the single largest civilian massacre of the conflict, some 65 people were shot dead or burned to death when Border Security Force troops rampaged through a neighborhood in the city of Sopore reportedly in retaliation for a militant attack that killed two soldiers and injured others. A local police official at the scene stated that the security forces "ran amok" and prevented police and fire fighters from intervening. Witnesses stated that the troops had shouted, "Kill them all" as they shot into the market and set shops on fire. Army officials claimed that those who died were killed in "cross-fire". Central government authorities suspended several officers and ordered an inquiry. The unit was transferred to another town, where the troops reportedly threatened the local people that they would do the same to them. The results of the inquiry are not known.

Indian security forces in Kashmir routinely violate international norms of medical neutrality. The security forces have deliberately prevented injured persons from being transported for emergency care, in some cases shooting ambulance drivers who attempted to remove the wounded. An ambulance driver who was stopped by Border Security Force troops in Srinagar on July 31, 1992 was beaten by security forces and then shot when he attempted to evacuate three injured persons who were lying on the road. The driver survived but it is not known what happened to the injured persons. To Asia Watch's knowledge, there has been no investigation of this or any other attacks on medical personnel.

While such summary executions reprisals have become epidemic in Kashmir, they have occurred frequently in other areas on conflict, including Punjab and Assam. During the government crackdown in Punjab over the past year, hundreds of suspected militants and civilians have been murdered in police custody. Asia Watch's recent report on Assam documents similar extrajudicial executions of civilians and suspected militants by Indian army forces over the past two years.

Rape and Torture

Since the government crackdown against militants in Kashmir began in earnest in January 1990, reports of rape by security personnel have increased. Rape has also occurred frequently during army search operations in Assam and other Northeastern states. Rape most often occurs during crackdowns, cordon-and-search operations during which men are held for identification in parks or schoolyards while security forces search their homes. In these situations, the security forces frequently engage in collective punishment against the civilian population, most frequently by beating, raping or otherwise assaulting residents, and burning their homes. Rape also occurs frequently during reprisal attacks on civilians.

Detainees in Kashmir are generally held in interrogation centers run by the army or

paramilitary forces. Most are subjected to severe beatings, electric shock, burns and other forms of torture. Asia Watch and PHR have also documented cases of kidney failure caused by the "roller treatment", during which a heavy wooden roller is used to crush the victim's leg muscles. This particularly method of torture has also been widely used in Punjab. Torture victims have also been kicked and trampled so severely their wounds have become gangrenous and they have had to have limbs amputated. Asia Watch is not aware of any investigations into these and numerous other incidents of torture in Kashmir or Punjab. Torture is also routinely practiced in police lock-ups throughout India, and not only in areas of insurgency. Those most at risk include the poor, and members of low caste or tribal communities who cannot afford to pay police bribes to get out of prison. Police also engage in torture to extract confessions or exact summary punishment on detainees. Detainees are commonly subjected to severe beatings in police custody, sometimes resulting in death. The Indian authorities have occasionally ordered investigations into cases of torture and deaths in custody occurring outside of conflict areas. Punishments for such abuse is rare, and is generally limited to suspensions or transfers in a few cases.

Prosecutions of Security Personnel Responsible for Abuses

Government officials have admitted that "excesses" have been committed and that action has been taken against 230 members of the security forces in Kashmir. However, in the vast majority of cases, these punishments have been limited to administrative disciplinary measures even for abuses that include hundreds of extrajudicial executions, deaths in custody, torture, disappearances and systematic rape. According to the 1993 U.S. Department of State *Country Reports on Human Rights Practices for 1992*, only 33 army and paramilitary personnel have been imprisoned for unexplained abuses in Kashmir, 27 of these for terms of one month or less. Eighteen were dismissed and 45 were demoted or reprimanded. The government has never made public the nature of the abuses, the identity and rank of those responsible, and what punishments have been ordered in any of these cases. The only prosecution that has been made public is that of two army soldiers convicted for the rape of a Canadian tourist in October 1990. At this writing, both soldiers have yet to begin their prison terms and remain in barracks in Kashmir while an appeal is pending.

Even when the authorities have ordered judicial inquiries into incidents of abuse, the investigations are frequently never conducted or the results not made public. Although an inquiry was ordered into the killing of 25 civilians in Handwara on October 12, 1990, the findings have never been made public. An inquiry ordered into the killings of 33 civilians in Srinagar on June 12, 1991, has never commenced. An investigation was ordered in the case of five women reportedly raped near Anantnag on December 5, 1991, but the magistrate's report has never been submitted. According to the *Kashmir Times*, inquiries have been ordered into 87 incidents of killings, rape and arson. None has resulted in criminal prosecutions. In seven courts-martial held between April 1990 and July 1991 involving incidents of rape, deaths in custody, illegal detention and indiscriminate firing on civilians by army soldiers, only one officer has been dismissed. The most severe punishment for the remaining officers was either a suspended promotion, or marks of "severe displeasure" in

their files.

According to the State Department, 135 police have been dismissed for undisclosed abuses, 75 have been prematurely retired and three senior officers were given jail sentences of an unspecified duration.

While there is no evidence to indicate that the Indian government has explicitly ordered the security forces to engage in such abuses, it has abdicated its responsibility to enforce the law and has given the security forces free rein to engage in gross abuses in the name of fighting "terrorism." The Indian government's failure to account for these abuses and hold members of its forces criminally liable for murder, rape and torture amounts to a policy of condoning human rights violations by the security forces. This policy has led the security forces to believe they can operate with impunity.

Elections in Kashmir and Punjab

The Indian government is under considerable pressure to hold elections in Kashmir by September 1993, as required under the law. The election plans appear to have sparked conflict between those in the administration favoring a political dialogue and those supporting a purely military solution to the conflict in Kashmir. At the same time, the prospects of any political dialogue has also led to internecine conflict among rival militant groups. While the efforts to restart a political process are certainly welcome, Asia Watch is concerned about government intentions to hold elections "at any cost." In Punjab, for example, the government claims that "normalcy" has been restored to the state, the insurgency crushed and local and state elections held. However, that "normalcy" has been achieved at the cost of hundreds of disappearances and summary executions, usually called "encounter killings", of civilian and suspected militants. Torture in Punjab remains widespread, and when Asia Watch and PHR visited Punjab in October 1992, we documented a sharp increase in the number of disappearances of young men taken into police custody. To our knowledge, the government has not investigated any of these abuses. In fact, many of the police responsible for torture, disappearances and executions of detainees in Punjab have been promoted to senior positions. Given the appalling level of state-sanctioned abuse in Punjab, the achievement of "normalcy" in the state cannot be a model of any kind for the resolution of the Kashmir conflict.

Access to Human Rights Groups and the ICRC

The International Committee of the Red Cross (ICRC) has never been permitted to perform its protection activities anywhere in India, including Kashmir. Clearly, the most important step the government of India must take to alleviate the suffering of the civilian population of Kashmir and curb torture and other mistreatment of detainees is to permit the ICRC access to Kashmir. As a neutral humanitarian organization that operates in conflict and non-conflict situations around the world to protect prisoners and assist in medical relief, the ICRC can play a unique and vital role in preventing further abuses by all sides in

Kashmir.

The government of India does not officially permit international human rights organizations to conduct investigations. The government has permitted Asia Watch to conduct investigations on tourist visas. In November 1992 the government invited a delegation from Amnesty International for meetings in Delhi, but the organization has not yet been granted permission to carry out any investigations.

The Human Rights Commission

Early last year, Prime Minister Rao's government announced its intention to establish a National Commission to investigate reports of human rights violations. A bill to that effect is to be submitted during this Parliamentary session. It is not yet clear what the commission's mandate will be and whether it will have any independent investigatory powers. Human rights groups in India have expressed concern that the army and paramilitary forces are likely to be excluded from the jurisdiction of the commission. In meetings with Asia Watch, government officials acknowledged that there was great resistance to giving the commission oversight over the military and paramilitary forces. These forces are responsible for the majority of serious abuses in Kashmir and other areas of conflict.

U.S. Policy

The U.S. must continue to press for genuine human rights reforms in India, and work with its allies to ensure that India take steps to end abuses by its security forces in Kashmir and throughout the country. Until such steps are taken, including permitting access for the ICRC, and rigorously prosecuting and punishing security forces responsible for serious abuses in Kashmir and elsewhere, the U.S. should suspend all military assistance and military sales to the Indian military and security forces. This assistance includes the International Military Education and Training program, which for FY 1993 is estimated at \$345,000, all commercial military sales licensed under the Arms Export Control Act, which for FY 1993 is estimated at \$54,655,000, and all military sales under the Foreign Military Sales Program, estimated at \$40,000,000 for FY 1993.

The U.S. has increasingly upgraded its military contacts with India in recent years. This gives our government the opportunity to raise human rights issues at the most senior levels of the Indian military.

The United States should also make India a priority at the United Nations Human Rights Commission. To date, resolutions condemning Indian abuses in Kashmir have been advanced at the U.N. Human Rights Commission by Pakistan, in a clear effort to embarrass its geopolitical rival. In view of Pakistan's own poor human rights record at home and complicity in the human rights abuses by the militant groups it arms and trains in Kashmir, Pakistan is a poor sponsor of such initiatives. But that is no reason for the international community to ignore the truly appalling situation of rights abuse in Kashmir. The United

States, in cooperation with our allies, should undertake a new initiative at the international body, such as calling upon India to cooperate with the U.N.'s four permanent human rights working groups: the Working Groups on Disappearance, Torture, Arbitrary Detention, and Extrajudicial Executions. To date, India has not permitted these important U.N. bodies to conduct independent investigations in Kashmir or anywhere in India, despite requests by the Working Groups. If India continues this obstruction of important U.N. activity, the U.S. and its allies should consider the adoption of a resolution condemning Indian abuses and the abuses of the militant forces, and appointing a Special Rapporteur to look into the matter.

In recent weeks, the State Department has been increasingly outspoken on the question of Pakistani support for militant groups in Kashmir. While such denunciation is appropriate, we regret that these statements appear to represent the sum total of the executive branch's public statements on Kashmir. The failure of the State Department, White House, or U.S. Embassy in Delhi publicly to denounce the wholesale atrocities that have characterized the Indian operations in Kashmir is regrettable. We urge the Clinton Administration as well as Members of Congress from across the political spectrum to raise concerns about India's human rights record, and to appeal for appropriate action by the Indian authorities to stem the growing tide of abuse.

Pakistan

As I have noted above, Pakistan has also contributed substantially to the grave human rights situation in Kashmir through its support for abusive militant groups. We believe it highly appropriate the U.S. press Pakistan to end any military support and training it may be providing to these groups. However, we believe it would be unfortunate if such pressure and expressions of concern were limited to this issue. The human rights situation for many Pakistanis remains extremely critical, particularly for women and religious minorities.

Police abuse of women in custody remains a very serious problem. Asia Watch and the Women's Rights Project of Human Rights Watch have documented the systematic abuse of women in police custody and gender discrimination under Pakistani law. Officers frequently illegally detain women in police lock-up for days at a time without formally registering a charge against them or producing them before a magistrate within the prescribed 24-hour period. Although women police officers are required to be present at the arrest and interrogation of women, this protection is rarely afforded. Thus, women prisoners are often held in custody indefinitely by male police officers without the knowledge of the courts. Most sexual abuse of female detainees occurs in these periods of "invisibility."

More than 60 percent of all female detainees are imprisoned under the *Hudood* Ordinances, Islamic penal laws that discriminate against women both in law and in practice. The *Hudood* laws criminalize, among other things, rape, adultery and fornication, and prescribe punishments for these offenses that include stoning to death and public flogging. Asia Watch and the Women's Rights Project do not object to laws founded on religion, provided that human rights are respected and the principle of equality before the

law upheld. However, the *Hudood* laws as written and applied clearly conflict with these rights and principles: they prescribe punishments deemed cruel and inhuman under international law and, in practice, clearly discriminate on the basis of gender.

Police often refuse to register rape complaints by women, particularly if the complaint implicates an officer. In the event that a woman cannot prove rape, the courts often prosecute her for adultery or fornication, despite the fact that a failure to meet the criminal burden of proof for rape does not prove that the same burden of proof for consensual sex is automatically met. In one case we documented, 18-year-old Majeeda Mujid was abducted by several men and raped by them repeatedly. When Majeeda was turned over by her captors to the police and complained of rape, the police charged her with illicit sex, imprisoned her pending trial and let the men go free.

Although the acquittal rate for women in *Hudood* cases is estimated at over 30 percent, by the time a wrongfully prosecuted woman has been vindicated she is likely to have spent months and in some cases years in prison, often under poor conditions, and in all likelihood, having suffered sexual or physical abuse while in custody. Over 2,000 women currently are imprisoned under these laws alone.

State-sanctioned violence against women and sex-discrimination are not the exclusive lot of Pakistani women in Pakistani jails. Hundreds of Bangladeshi women are currently jailed in Pakistan and subjected to similar treatment. These women are smuggled into the country -- at a rate of 100 - 150 a month -- and are forcibly sold into prostitution or domestic servitude. While the women are arrested by the police as illegal immigrants or for *Hudood* offenses, the government of Pakistan has failed to prosecute or punish a single person for trafficking in women or for the abuses commonly associated with this practice.

Asia Watch is very concerned about official complicity in the persecution of religious minorities in Pakistan and other abuses associated with religious intolerance. The Ahmediya community has long been a target for this kind of abuse, ever since they were first declared non-Muslims under the law. In recent years, laws which prohibit blasphemy have constituted a powerful weapon for the persecution of religious minorities and the silencing of ideological enemies, even among Muslims. The most well known case of this kind of abuse concerns Dr. Akhtar Hameed Khan, a prominent social worker and writer, who has been charged with three counts of blasphemy for a press interview he is alleged to have given, and for a nursery rhyme published by Oxford University Press in 1989 which is alleged to be insulting to the Prophet and Islam.

In some cases a mere allegation of blasphemy can mean that the accused may spend several years in jail waiting for trial. Under the law, religious minorities stand little chance of protection when accused of blasphemy. For example, Gul Masih, a Catholic, was charged with blasphemy on the basis of a single, uncorroborated complaint by a neighbor that Masih had insulted Pakistan, the Prophet and Islam. The neighbor is associated with a Muslim political organization which advocates making Pakistan an officially Sunni state. Masih was

tried in November 1992. Despite the fact that there were no other witnesses to the act of "blasphemy" and that Masih himself denied the charge, the judge sentenced Gul Masih to death. As of this writing, an appeal is pending in the High Court.

In recent years, journalists, human rights activists and other critics of government policy in Pakistan have been intimidated, detained, and in some cases assaulted and tortured for the peaceful expression of their views. In most cases, these abuses have gone unpunished. So long as these abuses continue, the U.S. should not support the resumption of military assistance of any kind to Pakistan. And we urge that the U.S. use its influence with its allies and within the international community to press for a serious response by the government of Pakistan to these abuses, including prosecution of those responsible for rape and torture.

While the U.S. does not have a program of military assistance or government to government military sales to Pakistan, due to their failure to meet the requirements of the Pressler Amendment relating to nuclear proliferation, Pakistan purchased in 1992 an estimated \$800 million in military goods through the commercial sales program.³ While commercial sales are not covered by the Pressler amendment, it is worth noting that they are covered by Section 502B of the Foreign Assistance Act -- human rights law. Accordingly, Human Rights Watch recommends that in keeping with Section 502B, commercial sales should be eliminated, along with government to government sales.

Sri Lanka

The human rights situation in Sri Lanka remains serious, though the government has taken steps in the past year to reduce the level of disappearances and other human rights abuses. However, despite these initiatives, the war continues to exact a high civilian toll. According to a government report, 2,095 people, including 457 civilians, were killed between January and September 1992. Tens of thousands of families were displaced by the fighting in the north in 1992, in addition to the million and a half already displaced since the latest phase of the war began in June 1990. The military's attempts to seal off the Jaffna peninsula last year also led to repeated shortages of food and essential supplies for the civilian population.

While the government's recognition of the need to address past abuses and prevent future ones has been a significant step forward, the progress of the commissions it has set up to investigate past abuses has been extremely slow. In some cases, the mandates of these bodies has been so narrow as to limit their usefulness. For example, the commission looking into disappearances is limited to investigate only those which have occurred since January 11, 1991, even though an estimated 40,000 people disappeared between 1983 and December 1990 after arrest by government forces or abduction by government-linked death squads.

³The fiscal year 1993 Defense Department Congressional Presentation Document estimates commercial sales in fiscal year 1992 as \$800,148,000.

Asia Watch is especially concerned that the specific recommendations made by the UN Working Group on Disappearances in 1991 be fully implemented. To be effective, the various human rights commissions and task forces set up by the Sri Lankan government must be fully funded and the security forces should fully cooperate with them.

The active concern of Congress, especially in the context of the foreign aid process, has been a crucial factor in pushing Colombo to begin to address its human rights problems. We hope that Congress, especially this committee, will continue that involvement. For example, we urge you to request the US representatives at the World Bank-sponsored donor meeting next June to strongly voice US concerns. An Asia Watch mission is currently in Sri Lanka; when our delegation returns, we will be happy to provide the subcommittee with our detailed findings and recommendations.

Burma

The international community has repeatedly condemned the Burmese military government for its atrocious human rights record. Despite some limited "reforms," the basic human rights situation remains dismal. On March 10, 1993, the UN Human Rights Commission in Geneva adopted, without a vote, a strong resolution on Burma, based on the excellent report submitted by Professor Yozo Yokota, the UN special rapporteur for Burma. The resolution provides a framework of concrete steps Burma must take to restore human rights and democratic rule. When he visited Burma last December, Professor Yokota was denied access to Aung San Suu Kyi, the Nobel Peace Prize winner, who is still under house arrest. The US should continue to press for Aung San Suu Kyi's freedom and for access to her by the UN's representative. Her involvement in the political process is essential in restoring civilian rule.

Arms supplies from several countries, primarily China, help to keep the Burmese military in power. US policy should seek a total arms embargo, and in the short run, should aim to stigmatize China for selling \$500 million - \$1 billion worth of arms to Rangoon. While it may not be possible to impose a UN security council embargo at this time, as a step in that direction, the US should seek support in the UN General Assembly for a resolution urging all member states to refrain from transferring arms to Burma.

Secondly, the US should encourage its allies, especially Japan, Thailand and Indonesia, to step up the pressure on Burma to allow the UNHCR to station personnel in Burma to monitor the return of Muslim refugees now in Bangladesh. Nearly 270,00 Rohingyas fled into Bangladesh to escape the Burmese military's campaign of murder, rape and other atrocities. Bangladesh has just reached a new agreement with the UNHCR to provide them access to the refugee camps in order to conduct confidential interviews with perspective returnees. However, the refugees refuse to voluntarily return unless there is an international presence in Burma to guarantee their safety.

Finally, on the question of sending a US ambassador to Rangoon, Asia Watch stated

in previous Senate testimonies that we take no position on sending an ambassador, *per se*, but believe that any envoy should be a strong human rights advocate. It has been argued that sending an ambassador now, after nearly two years without a high level representative in Burma, might be misinterpreted by the government and Burmese people as a reward to SLORC for its limited "reforms." Others argue that SLORC's growing isolation is an added reason to expand the channels for dialogue. A possible alternative to posting a full time ambassador in Rangoon would be for the President to appoint a special envoy for Burma, to represent US interests, not only in Burma, but also on the border, and with other governments in the region.

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Testimony of
 Timothy V. McCarthy
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 Monterey Institute of International Studies
 (Original draft: April 28, 1993)

House Foreign Affairs Committee
 Subcommittee on International Security,
 International Organizations, and Human Rights

(submitted for the record)

Rather than focusing on any specific Chinese-missile transactions -- the confirmation of which is often extremely difficult -- I would like to concentrate on the broader trends evident in prior Chinese missile sales, and look at some of the factors contributing to and institutions involved in those sales. Finally, I would like to make some initial attempts at gauging the prospects for future Chinese missile sales.

I would like to make available to the committee a lengthy, open source chronology of Chinese missile-proliferation developments compiled by the Program for Nonproliferation Studies in Monterey.

Clearly, Beijing has been and continues to be a significant supplier of missiles and missile technology to the developing world. Now, however, there appears to be several factors -- both internal and external -- which may mitigate against the scope and pace of missile sales we have seen in the recent past.

However, as one US official put it last year, the effort to persuade the Chinese to abstain from missile sales "is a matter of trying to turn the spigot off," and I, for one, am not convinced that the spigot has in fact been turned off. Therefore, I must emphasize that China's missile proliferation practices remain a significant concern and should be closely monitored.

Background

Three general points regarding Chinese practices in this field are evident:

- (1) China's missile cooperation with developing states -- in terms of sales of complete systems and subsystems as well as production assistance -- may represent the most comprehensive program of missile technology transfer in the world. (It should be noted, however, that North Korea is clearly replacing China as the major supplier of off-the-shelf ballistic missiles and appears to be moving into the area of production technology transfer.)

- (2) The character of missile-related exports, that is, the PRC's tendency to provide technical and manufacturing assistance to emerging missile powers, rather than sales of complete ballistic or cruise missile systems, is the real long-term cause for proliferation concern. China has assisted in the creation of new missile-producing states who, in turn, are likely to operate outside of any limitations (international or otherwise) on the sales of such systems. For example, after receiving vital aid from China for its cruise and ballistic missile production program, North Korea has become a leading supplier of missiles and missile technology to countries in the Middle East, including Syria, Libya, Iran, Egypt and possibly Iraq. Such second and third tier proliferation is particularly troublesome because to the limited options available for its control.
- (3) Unstable regions, including the Middle East, the Korean Peninsula and South Asia, have been the primary markets for Chinese missile-related deliveries. These areas are in the midst of destabilizing arms races, where a history of solving political conflict by violent means has more recently combined with attempts to acquire weapons of mass destruction.

From the point of view of the U.S. government, Chinese missile exports are of special concern because they are directed primarily to states which have in the past, or currently, threaten key U.S. allies and interests. Examples of such states include Libya, Iran, Iraq, Syria and North Korea.

Current Activities

I will now review briefly China's current missile related-activities.

- (1) Iran. The Chinese are assisting the Iranian ballistic and cruise missile programs by providing technical assistance and subsystems (such as guidance units) as well as sales of turn-key assembly/manufacturing and testing facilities. These activities, essential to the emergence of Tehran as a missile power, may be undertaken as part of a parallel effort with North Korea. Iran also seems a likely customer for Chinese anti-ship missiles.
- (2) Syria. Having originally negotiated a sale of the M-9 IRBM with Damascus, China now appears to be providing production technology and materials for Syria to use in indigenous assembly or manufacture. Early last year, DCI Gates reported that Syria "appears to be seeking assistance from Chinese and Western firms for improved capability with chemical and biological warheads."
- (3) Pakistan. In May 1991, China publicly admitted the sale of a "small number" of M-11s to Pakistan, though officials contended the transfer had not yet taken place. More recently, what were reported to be Chinese M-11s were

photographed at the port of Karachi. My assumption, prior to this recent disclosure, was that rather than transferring the entire missile, China intended to provide significant technical and production assistance for a local, M-11-derived system. I remain convinced that rather than transfers of off-the-shelf missiles, we are likely to see a gradual introduction of M-11 componentry and Chinese expertise which will add to Islamabad's incipient missile production program. I am also aware of Indian concern that the M-11's range is being increased in Pakistan in the same way Iraq increased the range of its Scud missiles.

Aside from ballistic missile and technology sales, the Chinese appear to be making a strong bid to move into the surface-to-air and anti-ship cruise missile market. Recent purchases of Russian SA-10s, as well as the reported use of US Patriot technology, may indicate Chinese attempts to upgrade their own systems, or to reverse-engineer the SA-10 and sell it as their own. There is strong precedent for the reverse-engineering thesis: China's HQ-2/4 surface-to-air missile (SAM) is based on the Soviet SA-2, just as the FM-80 SAM is widely believed to be a reverse-engineered version of the French Crotale system; numerous other examples abound. Newer and more capable Chinese anti-ship missiles are also on the market.

It should also be noted that the Chinese have recently signed a space-cooperation agreement with India, have reportedly signed one with South Korea, and appear to be continuing some space-related cooperation with Brazil.

Motivations

China's missile exports - indeed its arms exports in general - may be traced back to the institutionalization of the Deng reforms and subsequent reductions in outlays for defense production ministries and the People's Liberation Army (PLA). These agencies and the PLA were forced to seek additional sources of income to maintain R&D programs and to meet modernization goals; arms exports (along with conversion to civilian production) came to be primary sources of income. There appear to have been some strategic and political side-benefits to arms sales, such as the establishment of diplomatic relations with Saudi Arabia following the CSS-2 IRBM sale, but economic motivations clearly have been paramount.

Hard currency received from missile or arms sales is reportedly disbursed in several ways: some goes to the state treasury, some is used for workers' bonuses, and some is re-invested to maintain R&D and procurement. There are also reports that some hard-currency is retained by senior-level managers and officials for personal use.

Missile Bureaucracy

Very briefly, I would like to touch on China's missile production bureaucracy as well as some of the firms involved in missile sales.

The Ministry of Aerospace Industry (MAS, sometimes referred to as MASI or MAI) is the central missile design and production bureaucracy in China. Of the 17 departmental units under the MAS, the Department of Aerospace System Engineering comprises the divisions of liquid-fuel missiles and carrier rockets, surface-to-air missiles, coastal defense missiles, surface-to-surface solid propellant missiles, and satellites. Each division is responsible for corresponding design academies; the academies incorporate over 30 research institutes nationwide.

The academies or their affiliates developed most, if not all, of the systems offered for export by the Chinese. The First Academy (Carrier Rocket) designed and developed the 600km range M-9, offered for sale to the Syrians and possibly others. The 300km range M-11 was developed by a research center affiliated with the Third Academy (Coastal Defense) in the mid-1980s, with technical assistance provided by the First Academy. The Third Academy also developed the HY-2 "Silkworm" anti-ship missile as well as the C-601, an air-launched version of the HY-2. For its part, the Second Academy (Surface-to-Air) developed the '8610', a short-range ballistic missile based on the HQ-2 SAM previously developed by the Academy.

Though it is difficult to reach a clear understanding of the organizations and bureaucracies that are involved in or control missile sales, some observations may be made.

The top authority of the Chinese armed forces and defense industry is the Central Military Commission (CMC); only the most sensitive missile sales would formally be brought to the CMC's attention. Under the direction of the CMC is the Commission of Science, Technology and Industry for National Defense (COSTIND) which, among its many other duties, is the administrative body in charge of the missile industry. COSTIND acts as a clearinghouse for significant missile sales, though it is unlikely that it would actually negotiate deals itself.

The intermediate level supervisory body for missile sales (as opposed to administration of R&D or production) is the New Era Corporation of the COSTIND, which has significant jurisdiction over six major trading companies in the Chinese national defense industry. One such company is the China Precision Machinery Import & Export Corporation (CPMIEC), a trading company created in 1980 to take charge of missile and missile technology sales. Three of its 15 departmental level units -- the First, Second and Third Export Departments -- negotiate and execute foreign sales contracts. It is believed that CPMIEC is empowered to negotiate sales for virtually all of the systems and technologies now produced in the MAS's missile branch, except strategic delivery systems. Interestingly, the First Academy (Carrier Rocket) operates internationally under the front name Beijing Wanyuan Industry Corporation (BWYIC). BWYIC, named after its location, Wanyuan Street in Beijing, pursues negotiations for sales of the First Academy's goods.

The picture is further complicated when one notes that the defense trading firm Poly Technologies, which is affiliated with the PLA General Staff rather than with the missile industry, brokered the 1987 DF-3 (CSS-2) sale to Saudi Arabia. The reasons for Poly's involvement in this deal are complex, but center around its mandate to sell PLA "surplus" and other equipment abroad. Finally, one should note that in late 1990, an authoritative coordinating body, the Leading Group of Military Products Export, was formed at the inter-ministerial level to take charge of arms sales. While it is difficult to fully assess this groups activities, sensitive arms sales such as those involving ballistic missiles would likely be on the top of its agenda.

Future Prospects

The extent of continued Chinese sales of missiles or technologies will depend on several internal and external factors:

- (1) The extent to which recent defense budget increases relieve the pressure for defense firms to support their domestic activities with external sales. If R&D budgets are increased, the original rationale for arms sales may be diminished. Similarly, the success of civilian conversion programs and commercial exports from these firms will also play a role.
- (2) The ability of central authorities to control the activities of defense production firms. China's lack of an export control structure may allow for continued sales of dangerous missile technologies despite Beijing's attempts to terminate these sales. Moreover, familial ties between political authorities and certain industrial/production concerns provide such firms with a greater degree of operational autonomy than otherwise would be the case -- some companies may continue to operate outside of any "rules" established by nominally higher authorities.
- (3) The degree to which newer missile exporters, such as North Korea or Russia, may undercut China's customer base with either lower prices, better quality, or both. As previously noted, North Korea is essentially selling missiles to anyone with money to pay, while Russia is offering some of its most sophisticated SAMs and even an advanced SSM (the SS-21) for sale.
- (4) The patterns of behavior of Western arms suppliers. If large sales of Western defense products to such regions as the Middle East persist, the Chinese will continue to view international condemnation of their own missile sales as a double standard.
- (5) The degree to which the PRC begins to recognize nonproliferation as a norm of international activity.
- (6) The success of China's space launch activities as well as sales of SAMs and anti-ship missiles (both will earn hard currency for the Ministry of Aerospace Industry).
- (7) Western, primarily US, pressure on China to stop its missile-related activities, and the Chinese reaction to that pressure. Here, the Chinese government will need to make a risk assessment of the relatively small financial gains brought by destabilizing missile and missile technology sales against the potential loss of access to the US market.

REPORT TO CONGRESS ON PROGRESS TOWARD REGIONAL NONPROLIFERATION IN SOUTH ASIA

Introduction

The proliferation of weapons of mass destruction (WMD) and the means to deliver them constitutes one of the most serious threats to international peace and stability and has profound implications for U.S. national security interests. It is the policy of the United States to oppose such proliferation through wide-ranging diplomatic, political, and economic means. Our goal is to inhibit the development or acquisition of such systems, as well as to prevent their use or threatened use. It is our policy to work with other like-minded nations to these ends and to strengthen export control mechanisms as appropriate in pursuit of our nonproliferation objectives.

In South Asia, India and Pakistan have advanced programs to acquire, either indigenously or with foreign support, weapons of mass destruction and ballistic missile delivery systems. Continuing regional tensions between India and Pakistan, combined with these ongoing programs, mean that the outbreak of armed conflict has the potential to escalate to a nuclear exchange, with devastating consequences for the region and global efforts to combat the spread and use of such weapons. As noted by DCI Woolsey in testimony before the Senate on February 24, 1993, "the arms race between India and Pakistan poses perhaps the most probable prospect for future use of weapons of mass destruction, including nuclear weapons."

Nuclear Proliferation in South Asia

We believe both India and Pakistan could assemble a number of nuclear weapons in a relatively short timeframe, and both have combat aircraft that could be modified to deliver them in a crisis. Both India and Pakistan are developing or seeking to acquire ballistic missiles capable of striking major population centers in the other country, potentially with nuclear or chemical weapons. India exploded a nuclear device in May 1974. Since 1990, the President has been unable to certify that Pakistan does not possess a nuclear device. The 1985 Pressler Amendment to the Foreign Assistance Act conditioned the provision of U.S. assistance, including military assistance, to Pakistan on an annual Presidential certification that Pakistan does not possess a nuclear explosive device and that our proposed assistance would substantially reduce the likelihood it would possess such a device.

While India's WMD and missile programs initially were driven by security concerns about China, Pakistan's WMD-related programs now add to those concerns. Some Indians believe that nuclear and ballistic missile capabilities have deterrent value against China, as well as Pakistan; other Indians see these capabilities also as conferring on India

global power status and equality of rights with the nuclear weapons states, especially China.

Pakistan's WMD and missile programs appear to be driven primarily by specific security concerns vis-a-vis India. But it also seeks equality of status and rights with India, although it has no aspirations to global equality of status with the nuclear weapons states. Many Pakistanis argue that Pakistan needs a nuclear weapons and ballistic missile capability as a deterrent against a more powerful India which, they believe, has never fully accepted Pakistan's existence as an independent nation-state.

In the past, China has assisted Pakistan's missile program, and probably cooperated with Pakistani nuclear activities. In 1991, the U.S. applied sanctions to entities in both countries because of transfers of missile-related technology from China to Pakistan. Sanctions on the Chinese exporters were subsequently waived, after China agreed to observe the MTCR guidelines. China also adhered to the NPT in 1992. Despite these steps, concerns remain about whether China has terminated its links to Pakistan's nuclear weapons program and about its missile export policies.

A more detailed classified report is being provided to Congress on the status of the nuclear and ballistic missile programs of India, Pakistan and China, which was requested concurrently with this report under section 620F of the Foreign Assistance Act.

U.S. Efforts to Achieve a Regional Agreement on Nuclear Nonproliferation in South Asia

U.S. Objectives

The U.S. seeks to prevent nuclear and ballistic missile proliferation in South Asia. Our objective is first to cap, then over time reduce, and finally eliminate the possession of weapons of mass destruction and their means of delivery. We seek also to help reduce tensions and avoid conflicts which could escalate to the use of WMD. Therefore, we seek to help create a climate in which each country's sense of security is enhanced through tension reduction and confidence-building measures and where both India and Pakistan perceive distinct advantages in rejecting WMD and ballistic missile delivery systems, and recognize the disadvantages inherent in their possession. In addition, the U.S. seeks to inhibit the export of WMD, the missiles that carry them, and related technology from the region to other countries. We also actively discourage the export of WMD-related equipment and technology from other countries to India and Pakistan.

U.S. Approaches

In pursuit of these objectives, we have followed a step-by-step regional-based approach which complements broader global efforts. We strongly emphasize nonproliferation in our relations with both India and Pakistan and consider it to be the major issue in our relationship with

both countries. We believe that proliferation developments in South Asia are a reflection not simply of the Indo-Pakistani security situation, but also require consideration of broader regional and global developments. We have made known our strong opposition to any effort to modify the NPT, which has been adhered to by 155 countries. We have stressed to both countries that the global trend is toward the reduction and renunciation of WMD and missile delivery programs, as exemplified in the START and INF treaties and the Chemical Weapons Convention (CWC), as well as by the recent adherence by several countries, including South Africa, France and China, to the Nuclear Non-Proliferation Treaty (NPT). We have consequently stressed that continued South Asian pursuit of WMD and missile capabilities run counter to this positive universal trend, and have urged both countries to take positive unilateral, bilateral and regional steps that coincide with these nascent global norms. We have also made clear our view that calling for broad, global agreements is not the only way to make progress, and that many countries, including the United States, have enhanced their security through bilateral and regional agreements.

Following the unilateral U.S. decision in July 1992 not to produce fissile material for weapons purposes, we urged countries in regions of particular nonproliferation concern, including India and Pakistan, to consider taking similar steps on a unilateral or regional basis. We also continue to urge India and Pakistan to undertake measures to conform to WMD-related export control regimes such as the Missile Technology Control Regime (MTCR), the Nuclear Supplier Group (NSG) and the Australia Group (AG). Additionally, we stress the importance of early ratification of the Chemical Weapons Convention, which both countries have signed, and the importance of universal adherence to the Nuclear Non-Proliferation Treaty. We have simultaneously encouraged both countries to address seriously the bases of continued Indo-Pakistani tensions, including Kashmir. To these ends, the U.S. has taken a number of actions to achieve its goals:

1. Five Party Proposal

In 1991, the U.S. proposed multilateral discussions, the Five Party proposal, on regional security and nonproliferation in South Asia. Of the four other states approached by the U.S., three accepted our proposal: Pakistan, Russia and China. India has not accepted the proposal thus far, arguing that the scope of the region to be considered does not encompass all the areas of security concern to it and objecting that Chinese strategic forces are left unaddressed. India instead proposed holding bilateral discussions with the U.S.

In 1992 the U.S. held two rounds of bilateral talks with India on South Asian regional security and nonproliferation. Among other issues, we have sought in these talks to obtain India's thoughts on how appropriately structured regional talks might deal with underlying security concerns and advance resolution of proliferation issues in the region. While we continue to believe that such bilateral discussions are useful as long as progress is being made, we believe that proliferation

in South Asia is primarily a regional problem and, in the end, will require a direct high-level dialogue between India and Pakistan and a regional solution.

2. Engaging Other States

We have also welcomed the initiative of other interested parties -- such as Russia, the UK, France, Germany and Japan -- to undertake bilateral discussions on nonproliferation and regional security issues with India and Pakistan and have increased our consultations with them. High level visitors, including heads of government from these countries, have called for responsible nonproliferation behavior on the part of India and Pakistan, including adherence to the Nuclear Non-Proliferation Treaty (NPT). These approaches by other countries, which include some of their major aid donors, underscore to India and Pakistan that nonproliferation is a global, not just a U.S., concern. This is further borne out by the near-universal support for the UN resolution in support of establishing a South Asian Nuclear Weapon Free Zone; however, India continues to oppose the zone as a discriminatory and partial measure that does not adequately address its security concerns.

3. Engaging India and Pakistan

We held two rounds of formal bilateral talks on regional security and nonproliferation with India in June and November of 1992, and plan to continue our discussions with New Delhi in the spring of 1993. We have also had regular senior-level exchanges with Pakistan on these issues. Pakistan has recently expressed interest in more structured bilateral talks with the U.S.; we hope to hold an initial round of talks shortly.

In our discussions with India and Pakistan, we are urging both to reach agreement on and implement near-term concrete tension reduction measures, including additional nuclear and non-nuclear confidence and security building measures (CSBMs). We strongly encourage establishment of a direct high-level dialogue between India and Pakistan to address and resolve the issues dividing them, including Kashmir as well as nuclear and missile proliferation. Our role is that of a catalyst, seeking to promote a serious dialogue between the two countries and with others.

Although we recognize that each region is different, we believe that India and Pakistan can benefit from the ideas and experience that we have gained over the decades in arms control and CSBM discussions with the Soviet Union and others. As stated earlier, we believe that other bilateral and multilateral discussions also could usefully support our efforts.

U.S. public diplomacy in South Asia has had as its goal an improvement in understanding among Indians and Pakistanis of the issues of arms control and confidence building measures. A regional conference at the Salzburg Seminar in early 1992 brought Indians and Pakistanis together with other participants to discuss U.S. and

Soviet efforts to build an arms consensus in the years preceding the breakup of the USSR. The United States Information Service in New Delhi, India has recently concluded a successful pair of programs which brought together Indian and Pakistani participants together with specialists from China, Russia and the U.S. to discuss nonproliferation issues. Public diplomacy will continue to expose the Indian and Pakistani publics to international trends in arms control thinking and to consider how they can be applied to the South Asian region.

Efforts towards Tension Reduction and Institution of Confidence and Security Building Measures

In the wake of serious tensions in May 1990, India and Pakistan agreed to a number of CSBM's. The United States Government has been strongly supportive of the steps taken thus far, which include:

- o An agreement on advance notification of military exercises, maneuvers and movements;
- o The establishment of communication channels for military commanders (a "hotline"), including that between the Directors General for Military Operations;
- o Measures to prevent air space violations;
- o An agreement to exchange military visitors;
- o A pledge not to attack certain designated nuclear facilities; and
- o An August 1992 joint declaration banning the use, production, and stockpiling of chemical weapons or assisting others to acquire a similar capability.

We believe that additional near-term measures, in addition to their intrinsic value, could be useful as part of a phased approach towards the eventual elimination of WMD from South Asia. Those measures include:

- o A unilateral or regional cutoff of fissile material production;
- o A regional agreement not to conduct nuclear detonations;
- o Placing safeguards on new and existing nuclear facilities;
- o Early ratification and implementation of the provisions of the Chemical Weapons Convention;
- o Formal policy commitments for export controls on nuclear, CW, BW, and missile materials and technology, including dual-use technology, in accordance with the various nonproliferation regimes;

- o Tightening export administration of nuclear, CW, BW and missile related materials and technology;
- o Holding an international seminar -- possibly under IAEA auspices -- on nuclear safety, compliance and verification of nuclear agreements;
- o Security assurances; and
- o Extending the nuclear no-attack pledge to cover population centers.

We have suggested such steps because we believe they could contribute to an improved nonproliferation climate in South Asia and enhance regional security, while reducing tensions and improving Indo-Pakistani relations. In addition, measures to strengthen national export control policies will reduce the attractiveness of South Asia as a source of material, technology and revenue for potential proliferant countries.

In addition to measures focused on WMD-related steps, we want to encourage further efforts aimed at tension reduction and enhanced regional security and stability, such as:

- o An Indo-Pakistani dialogue on Kashmir, focusing initially on achievable near-term steps such as demilitarization of the Siachen Glacier;
- o Action by both states to cease support for militants who commit terrorist acts in the other;
- o An expanded Indo-Pakistani dialogue to cover not just nuclear weapons and ballistic missile delivery systems, but also conventional arms limitation, consideration of a force build-down coupled with reductions in defense budgets and increased transparency of defense expenditures and major acquisitions; and
- o Adoption of additional non-nuclear CSBMs between India and Pakistan, such as:
 - Establishing regional risk reduction centers;
 - Adopting Open Skies Treaty provisions;
 - Creating a hotline between Air Force Chiefs of Air Operations to monitor air space violations;
 - Prior notification of major military exercises and invitation of observers from each side; and
 - Initiating regular military exchanges.

Results to Date

There has been progress in a number of these areas. India announced on December 29, 1992, that it had expanded its export controls to cover precursor chemicals listed in the Chemical Weapons Convention (CWC), which it joined as an original signatory two weeks later. U.S. and Indian experts have also undertaken discussion of CW export controls and procedures. India has noted its policy of extreme restraint with respect to exports of nuclear and missile equipment and technology.

We have made similar progress in our discussions with Pakistan and would seek further concrete measures in our proposed bilaterals. We note that Pakistan has already agreed to participate in a multilateral discussion of regional security and nonproliferation, also has signed the CWC and also states that it will not transfer nuclear technology to other countries. Pakistan, in addition, has made a number of regional nonproliferation-related proposals, and has stated a willingness to accept any nonproliferation measure agreeable to India.

While India and Pakistan have implemented a number of important nuclear and non-nuclear CSBMs, there has been little concrete progress recently in pursuing any of the additional CSBMs and nonproliferation measures suggested above. However, some Indian and Pakistani commentators now appear to be giving thoughtful consideration to the implications of proliferation for South Asian security and economic development, which could lead to further progress on these measures.

Obstacles to Concluding a Regional Agreement

The overarching obstacle to conclusion of a regional agreement to reduce the nuclear threat and eliminate WMD-related systems from South Asia is the persistent level of tension and consequent distrust between India and Pakistan, arising from domestic political constraints, popular emotions fed by the memories of partition and three wars, and the unresolved dispute over Kashmir. As exemplified by the cycle of action and reaction engaged in by both sides after the December destruction by Hindu militants of the Babri mosque in Ayodhya, both India and Pakistan feel pressured by domestic opinion to defer actions aimed at improving bilateral relations or dealing constructively with bilateral problems. Placing routine, high-level meetings between India and Pakistan on a firmer basis, less subject to disruption by events or the pressures of domestic politics and popular emotions, would provide a foundation for discussion of such difficult and divisive issues as Kashmir and proliferation. We note that in the twenty-one years since signing the Simla Accords, neither India nor Pakistan has taken the steps required to fulfill all the terms of that agreement.

Similar suspicion of underlying motives and goals also underlies the military and WMD programs of India and Pakistan. Pakistan does not see its neighbor as having fully accepted its legitimacy as a separate, independent nation-state, and points to the 1947, 1965 and 1971 conflicts as evidence that its fears are well-founded. At the center of two

of these three wars was Kashmir. In response, Indians state that they were not the aggressors in those wars. Many Pakistanis also believe that nuclear capability is required as a deterrent to counter what it sees as India's regional ambitions and conventional military advantage.

India has reciprocal suspicions about Pakistan and is concerned about reports of Pakistan's support for separatist movements in India. Added to this is India's caution over the intentions of China. India's latent security concerns about China are a major obstacle to gaining New Delhi's support for any regional discussion in view of India's belief that Chinese nuclear and missile programs also must be taken into consideration. China has, to the contrary, held firm to its position that it has no aggressive intentions towards its neighbors and says that its nuclear program is modest and not a legitimate subject for discussion until the inventories of the U.S. and Russia come down to the same magnitude.

India has long been concerned about China's military relationship with Islamabad and about reports of past assistance to Pakistan's nuclear weapons and missile programs, and consequently believes that China therefore does not approach Indo-Pakistani regional security and proliferation issues as a disinterested party. India has also expressed concern about the current and potential existence of nuclear weapons and ballistic missile programs elsewhere in the extended region, in particular former Soviet weapons in Central Asia, as well as WMD-related efforts by other states in western Asia, and the fact that the proposed five-party discussions do not include these countries.

An important parallel to the above is India's insistence that any obligations placed on India be "nondiscriminatory," i.e., not subject India to restrictions that are not applied to others, and its strong preference for global, universally applicable regimes. This has been its primary objection to the NPT, which in the eyes of India established two classes of membership, nuclear-weapon and non-nuclear-weapon states, as well as to a South Asia Nuclear-Weapons-Free Zone that does not constrain China.

Pakistan has not raised this particular "nondiscrimination" argument directly, but has insisted that it will not take any unilateral step absent a similar move by India. It has expressed its willingness to reciprocate actions taken by India, as with its repeated stated willingness to sign the NPT simultaneously with India. Because of India's opposition to these steps, Pakistan's actual willingness to sign the NPT, or open all its nuclear facilities to international inspection, has never been tested.

Pakistan also intensely resents what it sees as a discriminatory U.S. nonproliferation policy against it as represented by the Pressler Amendment and says that the U.S. and others failed to take similar action against India after India's 1974 "peaceful nuclear explosion." (It should be noted, however, that the Pressler Amendment was passed in 1985, specifically to allow Pakistan to receive U.S. military and

conomic assistance, provided Pakistan did not cross a specified nuclear threshold.) Some Pakistanis believe that suspension of U.S. military assistance under the amendment has increased the importance of WMD as a deterrent against India. Some Pakistanis also argue that the amendment has reduced the incentive for India to engage seriously with Pakistan on nonproliferation issues. According to this argument, India has no reason to solve its nuclear dispute with Pakistan, as that would allow a weakened Pakistan to have resumed access to U.S. assistance, military and otherwise. Furthermore, Pakistanis assert that U.S. and multilateral missile controls and sanctions focus exclusively on import/export behavior and leave unaddressed indigenous ballistic missile development programs, such as India's Prithvi and Agni missiles. Thus, despite the fact that the U.S. has sanctioned an Indian entity for missile technology imports from Russia, Pakistan sees itself as unfairly singled out for retribution by the U.S.

For both Islamabad and New Delhi, domestic considerations are a major factor in their deliberations. According to Indian opinion polls, as much as 85 percent of those polled support keeping India's nuclear option open. This has led some Indians to assert that any retreat by the government from the principle that India has the moral and strategic right to nuclear weapons as long as others continue to possess them would cause the government to fall. In Pakistan, there is likewise a strong national consensus that its nuclear program is essential to national security. Again, there is a wide-spread belief that any government could not long survive if it were to dismantle unilaterally the nuclear program, absent a similar commitment by India. Such a move would be seen as capitulating to Western pressure while leaving Pakistan's security requirements vis-a-vis India unmet.

Consequently, dealing successfully with nuclear and missile proliferation in South Asia will require that the U.S. and others take into account both Indian and Pakistani domestic political concerns and regional security threat perceptions, including those extending beyond the two countries themselves. It cannot be addressed simply as a nonproliferation issue pursued on the basis of external pressure by the United States alone.

Question for the Record
submitted to John R. Malott
House Foreign Affairs Subcommittee
on Asia and the Pacific
April 28, 1993

Are there policy reasons for holding Indian and Pakistan to differing statutory standards with respect to their nuclear programs?

-- Would it further U.S. nonproliferation interests to extend the provisions of the Pressler Amendment to India? Why or why not?

-- Would it further other U.S. interests?

Answer: The Pressler Amendment was passed in 1985, specifically to allow Pakistan to receive U.S. military and economic assistance, provided Pakistan did not cross a specified nuclear threshold. The U.S. has not provided assistance to India on the same scale as the assistance that formerly flowed to Pakistan under the Pressler Amendment.

We do not believe that cutting off U.S. aid to India would help achieve our nonproliferation or other foreign policy goals.

- The USG provides no security assistance to India outside of a small IMET program, which serves U.S. as well as Indian interests.

An aid cut-off would harm the most vulnerable segments of India's population -- people who bear no responsibility for their government's proliferation activities.

- Our assistance serves almost exclusively humanitarian and economic objectives. It alleviates poverty through infant feeding, family planning, AIDS prevention and vaccination programs. Our assistance holds the promise of raising the standard of living for all Indians and, in particular, the poor and underprivileged, while encouraging Indian economic reforms that will open the country wider to U.S. trade and investment.

What is the current status of the 5-Power talks on South Asian nuclear issues?

- Does the Clinton Administration plan to rely on the 5-Power talks as its principal forum for addressing U.S. nuclear concerns in South Asia?

Answer: In 1991 the U.S. proposed five-party discussions on regional security and nonproliferation among the U.S., Russia, China, India and Pakistan.

- All potential participants accepted except India, which objected to the South Asia-only focus. Instead, India proposed bilateral talks with the U.S.
- The U.S. and India met to discuss nonproliferation and regional security in June and November of 1992. The Government of India has accepted our proposal that the U.S.-India nonproliferation talks be resumed later this year.
- Pakistan has proposed similar bilaterals with the U.S. in 1993.

In addressing U.S. nuclear concerns, we have followed a step-by-step regional-based approach which complements broader global efforts. We strongly emphasize nonproliferation in our relations with both India and Pakistan and consider it to be the major issue in our relationship with both countries. We believe that proliferation developments in South Asia are a reflection not simply of the Indo-Pakistani security situation, but also require consideration of broader regional and global developments.

Our approach encompasses a multilateral conference, such as the proposed five party talks; engaging other interested states such as Russia, China, France, the U.K., Germany and Japan; and holding direct U.S.-Indian and U.S.-Pakistani bilateral discussions.

While we continue to believe that bilateral discussions are useful as long as progress is being made, we believe that proliferation in South Asia is primarily a regional problem and, in the end, will require a regional solution.

Q: What is the Administration's position on the Burton Bill, which would cut some of our development assistance to India unless the Indian Parliament repeals certain laws governing the behavior of Indian security forces?

A: Background

India is the world's largest democracy, and one of the few developing countries in which democracy has flourished. It has legal safeguards for human rights, an independent judiciary, a vigorous free press, and domestic human rights groups which investigate and publish reports on human rights abuses. Representatives of international human rights and humanitarian organizations have been allowed to enter Kashmir in their personal capacity, but have not been given permission to send official delegations, as Amnesty International has requested.

At the same time, India is home to one-third of the world's poor and one-quarter of the world's infant mortality. There are more poor people in India than in all of sub-Saharan Africa. Our AID development assistance program responds to this humanitarian need.

U.S. economic assistance to India began in 1951. This assistance has made important contributions to India's economic development in such diverse areas as agriculture, child health, and energy. Annual repayments against these old loans currently exceed the totality of new U.S. assistance to India.

Our FY 1993 development assistance for India would fund ongoing projects in the population, health, energy and agriculture fields (including an AIDS prevention project, the Plant Genetic Resources Project, and a major new population project in India's largest state of Uttar Pradesh.) Joint research in such priority areas as the development of effective vaccines and contraceptives promise significant mutual benefits. Projects introducing cleaner and more efficient energy technologies will help reduce the threat of global warming. The Plant Genetic Resources project will conserve the numerous economically important plant varieties found in India.

Two of the three health/child survival projects exempted by the proposed Burton legislation will be completed over the next few months. This legislation would, therefore, allow funding for only one AID development assistance project -- the Private Voluntary Organization for Health II Project -- which is not scheduled to receive funding in FY 1993. It would curtail important initiatives to prevent the spread of AIDS, reduce the rapid rate of population growth, and encourage the use of environmentally beneficial technologies.

Position

The Administration is deeply concerned about violations of human rights abuses in India and raises the issue regularly in high level discussions with Indian officials. We consistently urge the GOI to ensure that constitutional protections of the individual are respected, particularly where security forces are engaged in anti-terrorist activities. We continue to urge India to permit international human rights and humanitarian organizations unfettered access to Kashmir, noting that such openness is in keeping with India's democratic traditions.

Since our intensified dialogue began, the GOI has "made a sea change" (the words of an MEA official) in accepting human rights as an issue of concern to the international community. This new openness resulted in the first invitation to Amnesty International to visit New Delhi in 14 years, and discussions with ICRC. Prime Minister Rao announced his intent to create a National Human Rights Commission. Enabling legislation is being drafted now.

Nevertheless, we recognize that this is not enough, and we will continue to press the Indian Government to provide human rights training to security forces and police, investigate alleged abuses promptly and impartially, prosecute vigorously where the evidence warrants, and rely less on state security legislation, particularly in areas where no emergency exists.

Conditioning our aid on repeal of five acts passed by the Indian Parliament would not necessarily enhance human rights observance in India nor convey any useful signal. It would instead be taken as a public affront to the freely elected legislative body of a democratic nation, and would provoke a sharp reaction in defense of India's sovereign authority to enact its own laws.

If the Administration were to cut our DA program in India, this would probably have a perverse effect on the human rights picture there. Over half the DA program is devoted to health and population, including a project on AIDS prevention. Targeting this aid would in effect be punishing the most vulnerable parts of the Indian population. We note that Asia Watch, a respected human rights organization has opposed cutting our DA to India.

For these reasons, the Administration does not support the Burton Bill.

The Bush Administration's FY 93 request for Nepal was roughly \$19 million. What are you requesting for FY 1994 and 1995 for Nepal?

Answer: The Bush Administration originally proposed \$19 million in development assistance for Nepal for FY 93, but overall budget constraints reduced the actual allocation to \$15.6 million. We believe this figure reflects the minimum level we can maintain for Nepal if we are to meet our objectives in that country.

While the Clinton Administration has yet to finalize the development assistance figures for our FY 1994 and 1995 submission to Congress, we would hope that funding approval for Nepal would not go below FY 93 levels.

What sorts of programs have we funded in Nepal, and what are our goals in that nation?

Answer: Nepal remains a priority country for U.S. economic assistance because of its low social indicators, its status as a newly emerging democracy, and its environmental significance as the home of the Himalayas and the head waters of many of South Asia's major rivers.

Our economic support programs are specifically tailored to focus on our objectives in Nepal which include;

- o Helping to increasing the private sector's contribution to income growth;
- o Increased family planning, child survival, and malaria control services through development training assistance; and
- o Support for pluralism and democratic institutions, by providing training and information assistance to the new Nepalese parliament and judiciary, as well as to NGOs and advocacy groups working on democratization projects in Nepal.

Please describe and assess the political reform process in Nepal, and in particular the success or failure of the constitutional revision process.

Answer: Nepal is presently in transition from an absolute monarchy to a parliamentary democracy. The success of the April 1990 "Movement to Restore Democracy" was fueled in part by the downfall of communist regimes in Eastern Europe and the former Soviet Union. To date, the Government of Nepal has shown consistent and unequivocal commitment to the principles of democratic rule.

Nepal has made considerable progress on political and economic reform. All political parties have sworn allegiance to the new democratic constitution. Parliament has passed and continues to introduce significant legislation on the full range of issues facing the country, from privatization to tax reform, in an effort to target foreign investment and develop the economy.

The Government of Nepal established a Legislative Reform Commission in conjunction with its new constitution which continues to assess ways to implement democratic reform legislation.

While progress has been made, more needs to be done on the human rights front. The Clinton Administration is pressing the government to correct long-standing human rights abuses, in particular police brutality and the abuse of detainees, which have been prevalent in the remote regions of Nepal.

What are the prospects for democracy succeeding in Nepal? What are we doing to promote democracy in Nepal?

Answer: As one of the poorest countries in the world, poverty poses the greatest threat to Nepal's fragile new democratic movement. If the Nepalese government can meet the electorate's rising economic expectations, to some degree, the prognosis for democracy's success in Nepal would be enhanced.

The Clinton Administration sees Nepal's movement as an important test of our new democratization initiatives. If democracy can work in Nepal, there is hope for other, more economically advanced Third World nations.

Our democratization efforts in Nepal therefore also target programs that will advance economic liberalization, since we consider this fundamental if democracy is to succeed in Nepal. We focus both our public policy statements and our economic assistance on activities that expose Nepalese policymakers to American democratic processes and principles, while simultaneously supporting Nepal's economic reform efforts to increase development and attract foreign investment.

How much U.S. aid has gone to Pakistan since Sept. 30, 1990, and under what authority?

- How much aid that was previously appropriated and allocated but has not yet been expended remains in the pipeline?
- What is the timetable for expending this aid?

Answer: No new economic or military assistance has been allocated to Pakistan since Pressler sanctions went into effect on October 1, 1990. Counternarcotics and emergency relief assistance, which are exempt from Pressler sanctions, were provided as follows:

- Pakistan received a total of \$7.6 million in counternarcotics assistance in FY-91 and 92. The State Department's International Narcotics Matters Bureau plans to allocate \$4.2 million to Pakistan in FY-93.
- AID's Office of Foreign Disaster Assistance provided \$436,000 dollars for flood relief to Pakistan in FY-92.
- Under Section 506(a)(2) of the Foreign Assistance Act, the Department of Defense provided Pakistan with \$5 million in construction equipment and services for flood relief assistance in FY-93.

Approximately \$700 million remained in the AID pipeline on October 1, 1990; all but \$260 million has been disbursed as of March 31, 1993.

AID will end its programs in Pakistan by December 31, 1994, except for a few participant training activities, which will be completed by March 31, 1995.

Section 562 (a) of the FY 93 Foreign Operations Appropriations Act allows AID to support programs of NGO's regardless of other provisions of law, including the Pressler Amendment. Do you favor a resumption in new economic assistance to Pakistan under this provision?

Answer: We do not plan at this time to provide any new economic assistance to Pakistan under Section 562 (a) of the FY 93 Foreign Operations Appropriations Act.

The Bush administration allowed commercial arms sales to Pakistan despite Pressler Amendment restrictions on the sale and transfer of military equipment and technology to Pakistan. As a matter of law and policy, what are your views on commercial arms sales to Pakistan?

Answer: As a matter of law, the Department's Legal Adviser concluded in 1990 that the Pressler Amendment prohibits all government to government sales and transfers of military equipment and technology to Pakistan, but does not prohibit the licensing of commercial military exports.

As a matter of policy, the Department has restricted commercial military sales to Pakistan. Munition export licenses are considered on a case-by-case basis and are issued only for munitions and spare parts necessary to maintain systems already in the Pakistani inventory as of October 1, 1990. No new systems, or upgrades to systems or equipment currently in the Pakistani military inventory, are approved.

Precisely what types of American military and non-military aid are permissible for Pakistan under the terms of the Pressler Amendment?

-- Does this Administration interpret the requirement of the Pressler amendment precisely in the same manner as did the previous administration? If not, please explain.

Answer: The Pressler Amendment prohibits the provision of assistance and the sale or transfer of military equipment to Pakistan. Limited counternarcotics assistance and disaster assistance as the authorization for such assistance permits it to be provided "notwithstanding any other provision of law." Section 562 of the FY-93 Foreign Operations Appropriations Act authorizes the provision of FY-93 funds for development assistance through NGOs, and PL-480 Title I and II assistance.

At this time, the State Department is implementing the Pressler Amendment in the same manner as did the previous Administration in accordance with the legal opinion of the Department's Legal Advisor, provided in 1990.

Why are U.S. arms sales still flowing into Pakistan -- and how much -- despite the Pressler prohibition?

Answer: As a matter of law, the Department's Legal Adviser concluded in 1990 that the Pressler Amendment prohibits all government to government sales and transfers of military equipment and technology to Pakistan, but does not prohibit the licensing of commercial military exports.

As a matter of policy, the Department has restricted commercial military sales to Pakistan. Munition export licenses are considered on a case-by-case basis and are issued only for munitions and spare parts necessary to maintain systems already in the Pakistani inventory as of October 1, 1990. No new systems, or upgrades to systems or equipment currently in the Pakistani military inventory, are approved.

The value of commercial military sales licenses approved for Pakistan follow:

FY 92: \$126.9 million

FY 91: \$107.1 million

FY 90: \$176.6 million

FY 89: \$230.7 million

Deliveries of military equipment are lower than the value of approved licenses, because many sales license requests are multi-year. Actual commercial deliveries for FY-91 were estimated at \$23.9 million.

As an objective of U.S. policy in the short-term, has the Administration abandoned hope of achieving a roll-back in the Pakistani and Indian nuclear programs, and adopted a freeze in those programs as the best we are likely to achieve?

Answer: The U.S. seeks to prevent nuclear and ballistic missile proliferation in South Asia. Our objective is first to cap, then over time reduce, and finally eliminate the possession of weapons of mass destruction and their means of delivery. We seek also to help reduce tensions and avoid conflicts which could escalate to the use of WMD.

Therefore, we seek to help create a climate in which each country's sense of security is enhanced through tension reduction and confidence-building measures and where both India and Pakistan perceive distinct advantages in rejecting WMD and ballistic missile delivery systems, and recognize the disadvantages inherent in their possession.

What has been the impact on Pakistan of the triggering of the Pressler amendment and the suspension of new U.S. aid?

Answer: The suspension of military assistance has had an adverse impact on the operational readiness of the Pakistani military, particularly the Air Force and Navy.

The effect on economic programs has also been significant as development projects were cancelled or reconfigured to close these out in a timely manner and avoid leaving unfinished projects. No new economic assistance has been obligated since October 1, 1990.

There are reports that Pakistan is supporting Kashmiri and Sikh militants who commit terrorists acts in India. Is this accurate?

Answer: We have received credible reports of Pakistani support for Kashmiri and Sikh militants who commit terrorist acts in India.

Do you believe that there exists any basis for a meaningful dialogue between India and Pakistan on Kashmir?

Answer: We do believe there exists a basis for meaningful dialogue between India and Pakistan on Kashmir. The Kashmir dispute, of course, is a major source of Indo-Pakistani tensions. The 1972 Simla agreement provided for India and Pakistan to solve the dispute bilaterally, but little has happened. The two countries must deal seriously with this issue, and we are prepared to be helpful if our involvement is acceptable to both sides.

What is the current human rights situation in Pakistan? Your answer should address, but not be restricted to, the difficulties faced by the Ahmadi community in Pakistan.

Answer: The Government and the people of Pakistan continue to make progress in some aspects of human rights while in other areas human rights abuses continue. There is progress in overall freedom of expression, including freedom of the press, freedom of association by political organizations and human rights groups, and freedom of movement. However, ethnic and political tensions continue, and have resulted in a deterioration of law and order and have had a negative impact on human rights. Arbitrary arrest and detention as well as torture and mistreatment of prisoners are reported. Social and legal constraints keep women in a subordinate position in society and limit reporting of violence against them.

Religious minorities face some discrimination and harassment. For example, the Second Amendment of Pakistan's Constitution and Government Ordinance XX declare that Ahmadis are non-Muslims and may not perform some Muslim acts of worship. However, since Ahmadis consider themselves Muslim and follow many Muslim religious practices, we continue to receive reports of arrests of and attacks on them.

News reports claim that Pakistan possesses seven nuclear bombs, and the press reports that Pakistan is buying missiles from China that exceed MTCR guidelines. What is the situation, and what are your views on Pakistan's nuclear and missile programs?

The U.S. seeks to prevent nuclear and ballistic missile proliferation in South Asia.

We believe that both India or Pakistan could assemble or deploy a number of nuclear bombs, in a short timeframe, and both countries have combat aircraft that could be modified to deliver them in a crisis.

- In 1990, President Bush was unable to certify that Pakistan does not have a nuclear device. As required by the Pressler Amendment, the U.S. suspended economic assistance and government-to-government transfers of military equipment and technology to Pakistan because of the absence of a certification.

The PRC pledged to Secretary Baker in November 1991 that it would not export M-11 missiles. Any Chinese actions, including shipments to Pakistan, inconsistent with the pledge would be a serious matter.

- We do, of course, pursue energetically any reports that the Chinese are not abiding by their pledge, including transferring missiles or related technology controlled under the MTCR to Pakistan.
- We have apprised the governments of Pakistan and China of our serious concerns about such reports which, if proven true, could trigger sanctions against entities in both countries under U.S. law.

What is your request for Sri Lanka for FY 94 and FY 95?

Answer: Our FY 93 request was as follows:

Development Assistance: FY 93 - \$13 million

FY 94 (proposed) - ?

P.L. 480 - Title I FY 93 - \$10 million

FY 94 (proposed) \$5 million

P.L. 480 Title III:

This is a multi-year agreement that was signed in FY 92. In FY 92 we provided \$45.9 million. The FY 93 amendment to the agreement will provide \$42.5 million during this fiscal year. (i.e. this amendment reduced the figures).

The Administration has not yet completed its review of FY 1994 or FY 95 development assistance funding figures, but we would hope that they will not go below FY 93 levels.

What is the current status of the insurgency in the north and east?

- Does either side have the military capacity to achieve a military solution?
- If not, is continued fighting and bloodshed inevitable?
- Is the Administration contemplating a more active role for the U.S. in ending the civil war?
- If not, why not?
- If so, please describe what this more active role would be?

Answer: After ten years of fighting, the military situation remains stalemated, with the Liberation Tigers of Tamil Eelam (LTTE) in control of the northern Jaffna Peninsula and government forces in control of the eastern coast.

Continued bloodshed appears inevitable as long as neither side is willing to work towards a political settlement. The Government is constrained by concerns that dialogue with the LTTE will fuel criticism from political opponents. The LTTE, for its part, refuses to back down from demands for a merger of the northern and eastern provinces and continues to engage in terrorist activity.

We are committed to helping bring about the conditions for peace by fostering productive dialogue. We believe that Sri Lankans of all ethnic groups and political persuasions need to work out among themselves the constitutional arrangements that would preserve Sri Lanka as one country, provide its minorities with protection and dignity and allow all Sri Lankans to live together in peace and prosperity. We would like to see an end to the brutal civil war between government forces and the LTTE and wish to encourage both sides to work together to improve conditions for innocent civilians. The recent GSL-LTTE agreement to open a humanitarian corridor between the Jaffna peninsula and the Sri Lankan mainland, using UNHCR as a guarantor, is a step in the right direction, and we hope that successful implementation of this agreement will build confidence between the two sides and lead to other humanitarian agreements.

Please describe the human rights situation in Sri Lanka, paying equal attention to abuses by the insurgents and the government.

Answer: Our concerns about human rights in Sri Lanka are described in detail in the Department's Human Rights Report to Congress.

We recognize that Sri Lanka has made strides in human rights reforms in the past two years. The GSL invited Amnesty International and the UN Human Rights Commission to make recommendations for reform. The GSL subsequently agreed to implement all but two of these recommended reforms and invited both groups back to monitor the implementation of those reforms. We remain concerned about the pace at which reforms are being implemented and believe that the bureaucratic organizations which deal with human rights should be strengthened, especially at the provincial levels. We also believe that the central government must promptly investigate alleged abuses by the military and other security forces and prosecute and punish abusers in order to make clear that these actions are unacceptable and that access to prisoners is promptly granted. We also make clear to the LTTE, through its friends and intermediaries, that we deplore LTTE acts of terrorism and that their actions make make peace impossible.

Does the Administration support Sri Lanka's desire for expanded textile quotas?

Answer: This question would be more appropriately addressed to the U.S. Trade Representative's Office.

What can be done, or what is being done, bilaterally, regionally, and multilaterally, to stem nuclear proliferation in South Asia?

Answer: In our dialogues with India and Pakistan, the U.S. has pushed for adherence to global nonproliferation and export control regimes.

- This includes the Non-Proliferation Treaty, the South Asia Nuclear Weapon Free Zone, the Chemical Weapons Convention, the Australia Group, the Nuclear Suppliers Group, and the Missile Technology Control Regime.
- The U.S. has pressed also for concrete tension reduction measures and confidence building measures (CBMs) between India and Pakistan, to reduce the motivation to acquire weapons of mass destruction.

We also work closely with our partners in the multilateral control regimes to halt the flow of technology and equipment of proliferation concern to India and Pakistan.

We have also encouraged India and Pakistan to undertake unilaterally or bilaterally specific nuclear confidence building measures. In 1991 the Bush Administration The U.S.

proposed five-party discussions on regional security and nonproliferation among the U.S., Russia, China, India and Pakistan.

- All potential participants accepted except India, which objected to the South Asia-only focus. Instead, India proposed bilateral talks with the U.S.
- The U.S. and India met to discuss nonproliferation and regional security in June and November of 1992. We see this as a step towards broader regional talks.
- There should be no doubt that nonproliferation is at the top of our agenda in South Asia.
- The U.S. has encouraged other interested parties -- such as Russia, China, the U.K., France, Germany and Japan -- to discuss nonproliferation with India and Pakistan.

While we continue to believe that such bilateral discussions are useful as long as progress is being made, we believe that proliferation in South Asia is primarily a regional problem and, in the end, will require a regional solution.

What is the status of the Pakistani and Indian nuclear programs?

Answer: We believe that both India or Pakistan could assemble or deploy a number of nuclear bombs in a short timeframe, and both countries have combat aircraft that could be modified to deliver them in a crisis.

- In 1990, President Bush was unable to certify that Pakistan does not have a nuclear device. As required by the Pressler Amendment, the U.S. suspended economic assistance and government-to-government transfers of military equipment and technology to Pakistan because of the absence of a certification.
- India exploded a nuclear device in May 1974.

What is the status of the U.S. initiative on nuclear and missile non-proliferation talks on the subcontinent? What more should we be doing?

Answer: In our bilateral dialogues with India and Pakistan, the U.S. has advocated their adherence to global nonproliferation and export control regimes.

- This includes the Non-Proliferation Treaty, the Chemical Weapons Convention, the Nuclear Suppliers Group, and the Missile Technology Control Regime.
- The U.S. has pressed also for concrete tension reduction measures and confidence building measures (CBMs) between India and Pakistan.

In 1991 the U.S. proposed five-party discussions on regional security among the U.S., Russia, China, India and Pakistan.

- All potential participants have accepted except India, which objects to the South Asia-only focus. Instead, India proposed bilateral talks with the U.S.
- The U.S. and India met to discuss nonproliferation and regional security in June and November of 1992. We expect to meet again this summer. We see these talks as a step towards broader regional talks.

- Pakistan has proposed similar bilaterals with the U.S. in 1993.
- The U.S. has encouraged other interested parties -- such as Russia, China, the UK, France, Germany and Japan -- to discuss nonproliferation with India and Pakistan.

While we continue to believe that such bilateral discussions are useful as long as progress is being made, we believe that proliferation in South Asia is primarily a regional problem and, in the end, will require a regional solution.

What are U.S. concerns regarding India's nuclear and missile policies and commercial exports? Has any progress been made in the U.S. - Indian non-proliferation talks? Are you planning to continue them?

Answer: The U.S. seeks to inhibit the export of weapons of mass destruction (WMD), the missiles that carry them, and related technology from South Asia to other countries. We also actively discourage the export of WMD-related equipment and technology from other countries to India and Pakistan.

- We have therefore advocated the adoption in the near-term by both India and Pakistan of formal policy commitments for export controls on nuclear, CW, BW, and missile materials and technology, including dual-use technology, in accordance with the various nonproliferation regimes.
- We believe that such steps, in addition to their intrinsic value, could be useful as part of a phased approach towards the eventual elimination of WMD from South Asia.

India announced on December 29, 1992 that it had expanded its export controls to cover precursor chemicals listed in the Chemical Weapons Convention (CWC), which it joined as an original signatory two weeks later.

- U.S. and Indian experts have also undertaken discussion of CW export controls and procedures.
- India has noted its policy of extreme restraint with respect to exports of nuclear and missile equipment and technology.

The Government of India has accepted our proposal that another round of U.S.-India talks on regional security and nonproliferation be held, possibly in early summer.

Which countries and other organizations (including multilateral financial institutions) beside the United States are major foreign aid donors in South Asia?

-- How do U.S. aid levels compare with the aid provided by these other donors?

Answer:

1992 PLANNED OFFICIAL DONOR ASSISTANCE TO SOUTH ASIA
(In Millions of Dollars)

	<u>BANGLADESH</u>	<u>INDIA</u>	<u>NEPAL</u>	<u>PAKISTAN</u>	<u>SRI LANKA</u>
United States *	129	165	18	0	68
Germany	72	358	28	0	13
Japan	377	926	50	0	312
United Kingdom	93	351	32	68	0
E.E.C.	62	158	1	72	5
United Nations**	151	220	25	77	25
Asia Dev. Bank	400	1,250	105	407	202
World Bank	500	3,000	110	700	130
All Donors	2,202	7,196	445	1,667	827

* United States figures include only development assistance, PL 480 Title II and Title III economic support funds.

** UN Includes UNICEF, UNDP, WFP.

Other Major Donors: France to India -- \$121 million
 France to Pakistan - \$89 million
 All Arab Sources to Pakistan - \$150 million
 All Arab Sources to Bangladesh - \$69 million

Are you requesting any legislative changes regarding foreign assistance programs that would affect countries in the South Asia region?

-- If so, what are the reasons for seeking these changes, as well as their likely consequences?

Answer: There are no changes contemplated.

When we might expect a fully-staffed South Asia Bureau, headed by an Assistant Secretary?

Answer: The Bureau of South Asian Affairs was created and staffed on August 24, 1992 under the interim direction of Edward Djerejian. Principal Deputy Assistant Secretary for South Asian Affairs John R. Malott was named Interim Director on March 30, 1993, until an Assistant Secretary was nominated, and confirmed by the Senate. On May 5, 1993, the President announced his intention to nominate Ms. Robin Raphel to be Assistant Secretary for South Asian Affairs.

What is your assessment of Hindu-Muslim tensions in South Asia in the wake of the recent Ayodhya incident?

-- What is the impact on Indo-Pak relations and U.S. interests in South Asia?

Answer: Tensions between India and Pakistan, increased following the destruction of the Babri Mosque on December 6, 1992, and the subsequent Hindu-Muslim rioting throughout India. Bilateral relations have not improved markedly since that time.

War prevention and regional stability are our top priorities in South Asia, and this requires an improvement in Indo-Pakistani relations. Thus U.S. interests have been adversely affected. We have urged both governments to avoid recriminatory statements, resume regular official counterpart visits, and work seriously to reduce tensions between their two countries.

Does the U.S. favor any specific group or individual in the struggle for power in Kabul?

-- Would U.S. interests be ill served if any particular group were to achieve preeminence in Afghanistan, and if so, what if anything are we doing to reduce the chances of this happening?

Answer: The U.S. favors no particular group or individual in Afghanistan. It is up to the Afghan people to select their leaders.

We will judge future Afghan governments by their actions on issues of concern to us such as regional stability, counternarcotics and human rights.

What aid levels are being requested for Afghanistan in FY 1994?

-- How does this figure compare with both requests and appropriations in recent years?

-- Please describe how this aid will be used.

Answer: The administration expects to request \$5 million in ESF and \$5 million in DA in FY94 for a total of \$10 million for cross border humanitarian assistance.

In FY 91, the combined ESF and DA request level for the cross border program was \$70 million and the actual level was \$60 million. In FY 92, the request was for \$60 million and the actual level was \$50 million. Our FY 93 request was for \$50 million, and the appropriations bill called for up to \$50 million equally divided between ESF and DA. However, the actual assistance level for FY 93 will be \$20 million.

In FY 94 we will support programs designed to reduce infant and child mortality and increase primary school enrollment for girls and boys. Through the use of poppy clauses on these projects, we also hope to discourage poppy cultivation and narcotics production and trafficking inside Afghanistan. We will also continue to support UN demining programs.

In the absence of a fully functioning embassy in Kabul, how will U.S. Assistance be administered?

Answer: U.S. assistance will continue to be administered cross-border, by the AID Representative for Afghanistan based in Islamabad, Pakistan. The AID mission in Islamabad has directed the Afghan humanitarian assistance program through contractors and nongovernmental organizations since 1986.

How many Afghan refugees remain outside of Afghanistan?

-- What is the likelihood of these refugees returning to Afghanistan this year?

Answer: Approximately 2 million Afghan refugees remain in Pakistan, and an estimated 1.5 remain in Iran. 2-3 million Afghans are in refuge in other countries.

It is difficult to predict how many refugees can be expected to return to Afghanistan this year. UNHCR currently expects approximately 600,000 from Pakistan and 700,000 from Iran to return during 1993, but the rate of refugee return will depend on the degree of security and political stability in Afghanistan.

How many refugees have returned to Afghanistan over the past year?

-- Of this number, how many have remained in Afghanistan?

-- What efforts are being made to assist those who wish to return to Afghanistan?

Answer: 1.5 million Afghans repatriated from Pakistan and Iran in 1992. UNHCR estimates that 80% of those returnees still remain in Afghanistan. UNHCR is providing cash and food to refugees who need help to return home. The International Organization for Migration supports this effort by providing transportation to refugees resettling far inside Afghanistan.

Are there any current plans to reopen our Embassy in Kabul?

Answer: There are no current plans to reopen our Embassy in Kabul. We will reopen our Embassy in Kabul when security conditions permit and when there is a stable, representative government in place.

What is the current status of the Rohingya refugees in Bangladesh? Does the UNHCR have free access to Rohingya camps? Are the Bangladeshis using coercion to force Rohingyas back into Burma? Is the Administration fully satisfied with Bangladesh's current treatment of the Rohingyas?

Answer: Currently there are approximately 250,000 Rohingya refugees in Bangladesh, living in camps near Cox's Bazar in the country's southeastern corner. UNHCR coordinates assistance to the refugees with the Bangladesh Government.

At present, UNHCR has free access only to transit camps where it conducts interviews of refugees returning to Burma. However, UNHCR informs us that it is near signature of a new memorandum of understanding with the Bangladesh Government which will allow UNHCR free access to all refugee camps from 10 a.m. to 5 p.m. daily, and at other times when warranted. UNHCR has expressed its satisfaction with the terms of this agreement, which it expects to sign this month.

The most recent information available to us, from UNHCR and other groups working with the Rohingyas, indicates that coercion is no longer being used to force Rohingyas to return to Burma.

At present, the Administration is satisfied with the Bangladesh Government's treatment of the Rohingyas. We will continue to monitor the situation carefully to ensure the continued good treatment of the refugees.

How has Bangladesh met the financial strain created by the Rohingyas? What if anything is the U.S. doing to help ease this strain?

Answer: In February 1992, the Bangladesh Government (BDG) asked UNHCR to take the lead in the relief effort. In coordination with the BDG, UNHCR assembled an effective coalition of international and local non-government organizations (NGOs) to provide shelter, food, sanitation, and medical assistance to the refugees, who are concentrated in 20 camps. UNHCR issued a special appeal for \$27 million for CY 1992 assistance, and received over \$21 million in contributions. NGOs receive funds from diverse private and governmental sources in addition to UNHCR. The BDG's contribution is mainly in organization and personnel resources, and thus the impact on the country's finances has been minimal; most goods and services required for the refugees' maintenance have been contributed by donors through UNHCR.

The United States, through the State Department's Bureau for Refugee Programs, is the largest donor to the UNHCR's Rohingya relief effort. In FY 92, we contributed \$7 million toward UNHCR's Special Bangladesh Appeal, and provided an additional \$190,419 in funds to NGOs involved in Rohingya refugee assistance. For FY 1993, the United States has contributed \$5 million to the UNHCR's Asia General Program, specifically earmarked for its Rohingya assistance program in Bangladesh.

Please assess the stability of democracy in India in the wake of the recent communal violence.

Answer: We deplored the destruction on December 6, of the Babri Mosque in Ayodhya, and the subsequent violence. Religious tolerance is fundamental to the maintenance of democracy in India, so the recent communal violence is distressing. Nevertheless, we are confident that democracy is well entrenched in India and will withstand this assault.

What progress is India making on its economic reform program? What kind of trade problems do we have with India and what is the market potential in India for U.S. companies?

Answer:

Economic Reform

In the spring of 1991 India faced an economic crisis. Large macroeconomic imbalances during the 1980's, exacerbated by the 1990-91 Persian Gulf crisis, raised inflation to double-digit levels, pushed India to the verge of external default, and eroded creditors' and investors' confidence. Foreign exchange reserves declined in June 1991 to about \$1.0 billion, or only two weeks of imports. Political unrest and the uncertainty following the assassination of Rajiv Gandhi made the situation worse.

Faced with this crisis, the newly-elected government of Narasimha Rao took far-reaching action to stabilize the economy and reform the statist policies India had followed since independence. The policy turnaround has been dramatic.

India's reform program focuses on strong fiscal consolidation and structural reform. The overall objective is to liberalize the economy by allowing it to function according to market forces. Industries, both public and private sector,

are being opened to competition; foreign investment is now welcomed; export-oriented investment is encouraged; and the public sector, while retaining a key role, is to be made more efficient through exposure to competition. The GOI also aims to follow a prudent fiscal policy and check inflation.

In keeping with these goals, the Government of India has reduced barriers on foreign investment, reduced tariffs, removed administrative controls on capital goods imports, reduced the scope of state monopolies, and moved to a market-based exchange rate system with full convertibility on the trade account. The government has also taken important fiscal actions, including cutting fertilizer subsidies and defense spending, instituted an amnesty scheme to encourage repatriation of flight capital, and started to sell shares of public sector companies on the stock exchange.

Trade Problems

The National Trade Estimate Report recently released to the Congress catalogues the trade barriers to U.S. goods and services in the Indian market. While the Rao Government has taken steps to reduce trade and investment barriers, India still remains one of the most protected developing country markets.

By far the most contentious trade issue is India's inadequate intellectual property rights (IPR) protection. On April 30, 1993, the Administration re-identified India a Priority Foreign Country pursuant to the Special 301 provisions of the Omnibus Trade Act of 1988. There has been little Indian movement on IPR issues since last year's Special 301 sanctions, with continued impasse on pharmaceutical product patent protection in particular. The Indian Government has just introduced trademark legislation in the budget session of Parliament and notified us that it is rolling over for one year the Motion Picture Market Access Agreement, which expired March 31. The Uruguay Round Dunkel draft text, which would introduce product patent protection for pharmaceuticals after a ten-year transition period, is being debated in Parliament, and the Rao Government has not yet indicated an official position on the text. We believe multilateral negotiations provide the best opportunity for a solution to our differences on patents and other issues such as goods and services market access, and therefore are urging Indian cooperation in the successful conclusion of the Uruguay Round.

New Market Opportunities

India had a GNP in 1990 of \$287 billion and two-way trade of \$46 billion, which puts it in the same league as Mexico (\$215 billion/\$57 billion), China (\$370 billion/\$94 billion), and

Brazil (\$412 billion/\$53 billion). With the world's twelfth-largest industrial base, India is the predominant economy in South Asia. Its market for consumer and capital goods and services is sizable, growing, and as yet relatively untapped by American business.

As recent economic reforms take hold, U.S. exports to India should rebound in 1993 to at least the pre-crisis levels of \$2.5 billion. Assuming India's industrial growth rates return to pre-1991 rates of 7 to 10 percent, U.S. exports should experience strong performance through the end of the decade, with double-digit annual growth rates not implausible. By the year 2000, the stock of U.S. investment in India should be approaching \$3 billion and annual exports should be nearing \$4 billion. The reform program has already resulted in a substantial boost in U.S. investment approvals (\$200 million of the cumulative total of \$750 million occurred in the year ending July 1992.).

TESTIMONY OF WINSTON LORD

ASSISTANT SECRETARY, EAST ASIAN AND PACIFIC AFFAIRS BUREAU

DEPARTMENT OF STATE

Mr. Chairman, Mr. Leach, Members of the Subcommittee:

I welcome this opportunity to appear before this committee and share with you my ideas concerning the direction of United States policy towards East Asia and the Pacific, and how our modest economic and security assistance programs contribute to achieving our goals. During my confirmation process, I made a personal pledge to maintain regular consultations with this committee, its members, and your staffs. I respect the integral role that you must play in our foreign policy towards the region. These hearings reflect the first of many steps in our common journey.

As this is my first appearance before this committee as Assistant Secretary, I would like to outline some of the broader context for the issues we are discussing here today.

First, the importance of the region. As I noted in my March 31st confirmation hearing statement, there is no region in the world today that is more important for the United States than Asia and the Pacific. Looking ahead to the twenty-first century, no region will be as important. The region contains the world's fastest growing and most dynamic economies. It is the world's largest consumer market and our biggest export

market. Last year our exports were worth more than 120 billion dollars and accounted for 2.3 million American jobs. Forty percent of U.S. trade is with the region, more than half again as large as with Western Europe. The economic vigor of the United States increasingly is dependent on global economic health and development. President Clinton has declared our domestic economic renewal as his highest priority. And no region of the world is more crucial in this regard than Asia and the Pacific.

We continue to have abiding security interests in Asia. In this post-Cold War period, with the closure of U.S. bases in the Philippines, we have detected some concern in the region that the United States may be losing interest in Asia. It is important for our national interests to demonstrate not only by reassuring words, but by concrete actions, that the U.S. intends to remain firmly engaged in Asia and the Pacific, economically, politically, and in a positive security role. We will maintain the foundations of our five mutual security agreements: with Japan, Korea, the Philippines, Australia, and Thailand, and a substantial military presence. We are prepared with others to explore through dialogue and consultations now Asia-Pacific paths toward security.

Goals for American Policy in Asia

In my confirmation hearing, I outlined ten major goals for American policy in Asia and the Pacific. Permit me to reiterate them briefly:

-- Forging a fresh global partnership with Japan that reflects a more mature balance of responsibilities.

-- Erasing the nuclear threat and moving toward peaceful reconciliation on the Korean peninsula.

-- Restoring firm foundations for cooperation with a China where political openness catches up with economic reform.

-- Deepening our ties with ASEAN as it broadens its membership and scope.

-- Obtaining the fullest possible accounting of our missing in action as we normalize our relations with Vietnam.

-- Securing a peaceful, independent and democratic Cambodia.

-- Strengthening APEC as the cornerstone of Asian-Pacific economic cooperation.

-- Developing multilateral forums for security consultations while maintaining the solid foundations of our alliances.

-- Spurring regional cooperation on global challenges like the environment, refugees, health, narcotics, non-proliferation and arms sales.

-- Promoting democracy and human rights where freedom has yet to flower.

Achieving these objectives will be a challenge but one which, with your support, we relish. We will use a variety of means to pursue them, tailored to the individual situation. One important foreign policy instrument for achieving these goals remains our modest economic and security assistance programs in Asia and the Pacific.

U.S. Assistance to Asia and the Pacific

In a very real sense, Mr. Chairman, the Asia-Pacific region has been a major success story for the U.S. foreign aid program. Many of the countries of the region which once received substantial U.S. assistance have long since graduated from the ranks of aid recipients. Some, such as Japan and Korea, are today major contributors themselves of international economic and humanitarian assistance.

The economic success of many of the countries of Asia is attributable in part to carefully targetted U.S. economic assistance, buttressed in some instances by specific security assistance. The U.S. forward-deployed military presence contributed significantly to the Asian economic boom by providing the stability essential for economic development. The success of our Asian assistance program is perhaps best demonstrated by the fact that our overall assistance to the region has been reduced significantly and some former aid recipients now challenge us vigorously in the global marketplace.

As a result of such progress, and mindful of the need to set rigorous budget priorities, over the past five years U.S. assistance to East Asia and the Pacific has been reduced from approximately \$680 million in FY-88 to approximately \$268 million in FY-93. These figures include ESF, FMF, IMET, and Development Assistance. During this period, the region's share of the Security Assistance budget fell by half, from approximately 3.7% of the global program to approximately 1.7%. Its portion of the Development Assistance budget was also halved, from approximately 15% to 7% of the global total.

But even given these reductions, if the region has been so successful economically, how can we justify continuing to provide any economic and security assistance to countries in Asia and the Pacific, at a time when some American taxpayers

are hard-pressed to meet their own families' needs, budgets are tight, and President Clinton has declared the economic renewal of the United States as his highest priority? Why does this area of economic dynamism continue to need our assistance?

The answer, Mr. Chairman, is that while the outline I sketched of Asia's remarkable economic dynamism is accurate, that dynamism is not uniform throughout the region. There remain some countries which, while making progress, continue to need carefully targetted assistance to enhance their own efforts. Our modest program of development assistance and, in some instances, of economic support funds, is directed to those particular situations.

In addition, our small IMET program (slightly more than \$5 million in FY-93) enhances our interaction with armed forces in the region, and serves not only our long-term security interests but, by increasing exposure of foreign armed forces personnel to U.S. concepts concerning civilian control of the military and humane behavior, supports our goal of furthering democratization and increasing respect for human rights.

Overall, while recognizing of the need for austerity at a time of severe budget pressures, the Administration believes that the modest programs we have for selected countries and purposes in Asia and the Pacific are a sound investment for the United States.

Assistance Programs

Mr. Chairman, my colleagues from the Agency for International Development and the Department of Defense have detailed presentations concerning the specifics of our assistance programs. I will highlight briefly just a few of our ongoing assistance efforts for you.

Cambodia. One of the most complex and central tasks for our Asian policy is to help provide the long-suffering Cambodian people with a brighter future. Our long-term goals in Cambodia are to help the Cambodians attain peace, democracy and development after more than two decades of war and suffering caused by the genocidal regime of the Khmer Rouge and the Vietnamese occupation. The United Nations Transitional Authority in Cambodia--UNTAC--has been laboring for more than a year to implement the Paris Accords on Cambodia aimed at achieving those goals. We have provided approximately \$200 million in assistance since 1986 to meet pressing humanitarian needs throughout Cambodia and to promote the growth of democratic and free-market institutions. We are now also providing development assistance to help Cambodians rebuild their country. In addition, our assessed contribution to the UN peacekeeping mission in Cambodia will total more than \$500 million.

Despite the non-cooperation, and at times, the violence, of the Khmer Rouge faction, UNTAC has recorded some impressive achievements. Some 360,000 Cambodian refugees have been repatriated. Over 500 kilometers of roads were demined and repaired last year alone. Over 95% of the eligible voters have been registered for the elections scheduled to be held from May 23-28. Twenty political parties have registered to participate in the elections. We expect to see the newly-elected assembly draft a new Cambodian constitution and form a new government no later than three months after the elections, at which point the mandate of UNTAC will end.

Our commitment to Cambodia, however, will not end at that time. The future elected Cambodian government will be hardpressed to deal with Cambodia's enormous economic and social problems and, most probably, Khmer Rouge intransigence. In Tokyo in June 1992, the international community, including the United States, pledged it will provide urgently needed assistance to the fledgling government to help it institutionalize the democracy which the UN-assisted elections is intended to implant in Cambodia's troubled soil.

We are concerned by recent acts of disruption and violence, primarily by the Khmer Rouge, which threaten to harm the election process. Working with others we are trying to check this violence and help ensure a free and credible election. Even more is at stake in Cambodia than the fate of that country

and regional security. Given the UNTAC deployment--the largest peacekeeping operation in the history of the United Nations--we face a crucial test of multilateral peacekeeping by the international community. We must not fail.

The Philippines. When the United States had military bases in the Philippines, that country was among the top recipients of U.S. assistance worldwide. With the closure of the bases, the end of the Cold War, and additional U.S. budget constraints, assistance to the Philippines was reduced greatly.

But the Philippines remains a treaty ally struggling to fulfill democratic aspirations and develop economically in the face of daunting challenges, including continued insurgencies, both communist and Muslim separatist, and frequent major natural disasters. Our traditional ties with the Philippines remain strong. The democratically elected Philippine President is continuing to implement needed economic reforms. Continued U.S. assistance--developmental as well as security-related, including an IMET program--is essential. We must help the Philippines successfully consolidate its fragile democratic institutions and continue to execute the economic reform program directed at putting the Philippines' economy on a sustainable growth path.

An important engine of Philippine economic and social development has been the Multilateral Assistance Initiative (MAI). Initiated in 1989 with strong backing--indeed, inspiration--from the United States Congress, the MAI has been the rallying point for developed nation support of the Philippines. In 1989 the United States pledged best efforts to contribute \$1 billion to the MAI over five years. Our bilateral contributions total \$438.5 million through FY 1993. I urge the Congress to continue to support U.S. contributions to the MAI.

Mongolia. United States assistance to Mongolia reflects U.S. support for emerging democratic and market-oriented nations around the world. In 1990, Mongolia broke from the Soviet orbit and throw off communism. Since then, Mongolia's government and its people have proven their commitment to democracy and a market economy. Despite the difficult transition, the government continues along the path of reform.

Mongolia is sandwiched between Russia and China--two giants engaged in their own process of reform. A prosperous, market-oriented, democratic Mongolia will have a positive effect across its borders. A successful transition to democracy and a market economy in Mongolia will provide a positive example for other countries struggling to overcome decades of political subjugation and economic mismanagement.

Continued U.S. support--humanitarian, technical, and a modest IMET program--provides tangible proof that the U.S. matches its pro-reform words with concrete deeds for countries which accept the democratic challenge.

The South Pacific. Far to the south of Mongolia, the island countries of the South Pacific are pursuing market-oriented policies as they attempt to develop their promising resources and improve the well-being of their peoples. AID's Regional Development Office in Fiji, and a branch office in Papua New Guinea, are working with ten of the Pacific Island countries in a variety of programs to help meet these challenges, the details of which my AID colleague has provided in his statement. I would note, however, that the Commerce and State Departments are working to establish the U.S.-Pacific Island Joint Commercial Commission, which will help facilitate the region's development.

In addition, AID administers project support under the South Pacific Fisheries Treaty, which was concluded between the U.S. and Pacific Island countries in 1987. This treaty guarantees continued access by the U.S. fishing fleet to large portions of the South Pacific, which harbors two-thirds of the world's tuna resources. The economic assistance provided under the treaty helps to strengthen the region's self-sufficiency and provides a sound basis for further democratization. The

treaty has been highly successful and encourages cooperation among member countries and better coordination of marine resources and other policies.

IMET Programs. I would like to underscore the important role that our modest IMET program -- slightly more than \$5 million in FY-93 -- plays in the region.

This administration is strongly committed to democratic development and increased respect for human rights. While East Asia and the Pacific now contain some of the world's fastest growing economies, the region also has a number of developing democracies, some with historical legacies of extensive military involvement in the political process. IMET programs are designed specifically to bring foreign military and civilian government leaders to the United States for military training, during which they experience the American way of life. Over the last five years alone, we have brought over 4800 military and civilian government officials to the U.S. from East Asian and Pacific countries under the IMET program.

In the U.S., IMET students are exposed to U.S. democratic values, respect for human rights, belief in the rule of law, and the way in which the U.S. military functions under civilian control. IMET students develop mutually beneficial professional relationships with American military personnel. In a period where we are seeking to broaden our relations with

the armed forces in the region, to increase joint exercises, and to enhance our access to service facilities for our forward-deployed forces, IMET is a valuable resource. In the case of the Philippines, the closing of U.S. bases makes IMET almost the sole means of building relationships with the younger generation of Philippine military leaders. In the more affluent countries of Asia and the Pacific--Singapore and Korea, for example--IMET is the only U.S. assistance program we have.

In conclusion, Mr. Chairman, I think all of us can take satisfaction in the returns which our small foreign assistance investment in East Asia and the Pacific is providing to the U.S. economy, to our commitment to democratic values and human rights, and to support for the continued U.S. military presence in East Asia. In addition, individual development assistance programs in Asia also address some of the critical global issues, such as environmental degradation, the AIDS scourge, population pressures, and narcotics.

In my confirmation statement, I stated that "Today a Pacific Community is a vision...tomorrow it can become a reality. This generation of Americans owes it to the labors of those who came before us, and the hopes of our successors, to help build a new Pacific Community."

Mr. Chairman, I believe that the resources that this committee authorizes are important both for the successes which I have outlined above and for our hopes for a more democratic, peaceful, and prosperous Pacific Community. I pledge to you my personal commitment and energy to help move toward that goal.

STATEMENT OF
MR. GLENN A RUDD
DEPUTY DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

Mr. Chairman, I am pleased to be here today to testify on U.S. military assistance and sales to East Asia.

It is common knowledge that our world is in a period of transition. This Administration acknowledges the changes that are taking place and, because of those changes, is in the midst of a review of our foreign aid programs, including security assistance. The shape of our programs, as we now know them, could change considerably within the next year or so. While it is premature for me to speculate on the specific recommended changes that will come out of this review, I can say that I expect things will be different. DoD is fully supportive of this review.

The Department of Defense has already modified its views to address the new international security environment. In the past we have focused on the threats of communism, specifically in the former Soviet Union. Today, instead of the unitary challenge of communism, we grapple with the four threats that Secretary Aspin has outlined.

THREAT OF REGIONAL, ETHNIC, AND RELIGIOUS CONFLICTS

The first I will discuss today is the threat of regional, ethnic, and religious conflicts. It is this threat that military assistance most effectively deals with. Our friends and allies depend on U.S. defense equipment, services, and training acquired through our security assistance programs to preserve peace, where ever possible, and to defeat aggression, whenever necessary. The security derived from being able to deter or defend against threats

allows these countries to foster an environment that is conducive to social, economic, and political growth. U.S. sales and assistance programs also allow friends and allies to participate in international peacekeeping and peacemaking activities. For example, the Japanese have used C-130s purchased from the United States to support their peacekeeping efforts in Cambodia.

THREAT OF POTENTIAL FAILURE OR REVERSAL OF DEMOCRACIES

The next threat we face is the potential failure or reversal of democracies. Of utmost concern to us is the success of reform in the former Soviet Union, though we continue to work towards maintaining democracies in other parts of the world as well. It is in our best interest to see reforms in these countries succeed. Failure to do so could have severe adverse consequences on our own security.

One important avenue to positively influence democratic reforms is through our International Military Education and Training (IMET) program. This program provides courses in professional military education to military and civilians from friendly countries. Under our expanded IMET initiative, foreign officials are exposed to training in human rights, fundamentals of military judicial procedures, defense resource management, and civilian control of the military.

IMET has been very successful in the Pacific Rim countries. The importance of IMET was recently expressed by Admiral Larson,

Commander-in-Chief, U.S. Pacific Command, when he stated that IMET, " . . . is the cornerstone of USCINCPAC's security assistance effort in the Asia-Pacific region." Admiral Larson went on to say that through IMET, we create new friendships and strengthen alliances while simultaneously promoting good will, trust, and mutual confidence. These facets of the program serve us well because IMET participants often rise to important civilian and military leadership positions in their government. When they achieve positions of prominence and influence, there is a great potential for U.S. influence in the decision making processes of their nations.

We continue to support a robust IMET program with our friends and allies in the Pacific Rim. In FY93, we provided expanded IMET training to Korea, the Philippines, Tonga, and Thailand and sent a Mobile Education Team to Papua-New Guinea for human rights training.

THREAT OF LACK OF ECONOMIC SECURITY

The third challenge I will address concerns our ability to ensure our own economic security. We cannot separate our national security interests from our economic interests. While the primary determinants for military sales and assistance programs are the achievement of U.S. foreign policy goals and the furtherance of our national security interests, U.S. economic interests should also be a significant consideration. We will continue to exercise due prudence in arms transfers to ensure that they promote, rather than detract, from regional stability. At the same time, it must be

recognized that as our own defense spending decreases, defense exports have become much more important to the viability of individual U.S. defense firms and our overall defense industrial base. Some of our important domestic defense programs, such as the F-15 fighter and PATRIOT air defense system, depend on foreign sales to keep production lines open and to preserve the jobs of highly skilled U.S. defense workers. Foreign sales also can lower unit costs for DoD purchases.

The Pacific Rim countries are some of the world's fastest growing economies and some of our most promising markets for American exports. We have mutually beneficial security relationships with many of these countries, just about all of which make their purchases with their own funds. Some countries are in the market to upgrade or maintain previously purchased U.S.-origin equipment. Others are modernizing their force structures. For example, Taiwan recently decided to purchase F-16 aircraft to replace its current aging and increasingly nonserviceable inventory of F-104 and F-5 fighters. We also recently notified Congress of Japan's intention to procure two 767 AWACS aircraft. Through a combination of a direct commercial sale and FMS, we will sell AWACS as end items to Japan.

THREAT OF NUCLEAR PROLIFERATION

Finally, the fourth threat Secretary Aspin has identified is nuclear proliferation. While the programs over which my Agency has cognizance are not directly involved in nuclear issues, in the

future FMS may prove a useful vehicle to provide U.S. defense services, such as training, to interested foreign countries in their pursuit of future nonproliferation activities.

FY94 MILITARY ASSISTANCE AND SALES PROGRAMS

As you can see, threats continue to exist to our interests around the world. However, the United States cannot, and should not be expected to, intervene in every crisis. Our military assistance and sales programs provide our friends with the necessary tools to prevent some crises and to respond to others without our intervention. These programs also promote interoperability between the forces of the United States and other countries so that when a coalition effort is needed quickly, as was the case of the Persian Gulf War, our forces can fight effectively together. Our programs also support critical base and access arrangements and provide highly useful opportunities for joint training exercises.

As I noted previously, our sales programs in the region are almost all handled on a cash basis. Our only remaining FMS program there is with the Philippines and it is but a fraction the size of the program it was before. This, of course, reflects our own serious budget constraints, the need to devote resources to crisis spots elsewhere, as well as our withdrawal from our military bases in the Philippines. However, we do continue to have security obligations to the Philippines agreed to under our Mutual Defense Treaty. In absence of U.S. forces, our programs have become even more essential to maintaining an important link in our strategic

engagement in the region. To maximize the benefits of our modest Philippine FMF we encourage them to use the funding for sustainment of U.S.-origin equipment. We believe it is important that this modest program continue -- both for the Philippines' ability to defend itself and for our continuing security relationship with that country.

CONCLUSION

The close military and economic relationships between the United States and East Asian nations serve both parties well. The end of the Cold War may change the nature of methods used to further these relations, but should not diminish the relationships themselves. The security assistance and military sales programs have been basic tools to achieve contemporary national security and foreign policy objectives of the United States. Though the requested security assistance program for the region has been sharply reduced from previous years, we look forward to continuing those assistance and sales programs which we believe beneficial to advance our interests in the Region.

TESTIMONY OF GEORGE A. LAUDATO
ACTING ASSISTANT ADMINISTRATOR FOR THE ASIA BUREAU
AGENCY FOR INTERNATIONAL DEVELOPMENT
EAST ASIA OVERVIEW

Mr. Chairman, Committee Members, it is a pleasure to be here today. I want to thank you for the opportunity to discuss A.I.D.'s programs in East Asia and the Pacific. Over the years we have developed a very close and productive working relationship with this Committee. Frequent and constructive dialogue has led to more effective assistance programs in Asia. I want to pledge to you Mr. Chairman, Members of the Committee, that we are committed to continuing this full partnership.

A.I.D. supports five bilateral programs in East Asia (Indonesia, the Philippines, Thailand, Mongolia and Cambodia). In addition, we support two regional programs - one for the 10 independent countries of the South Pacific, another for the six member countries of the Association of South East Asian Nations (ASEAN). Limited humanitarian assistance is provided to Vietnam and Laos under global programs for civilian victims of war and displaced children and orphans. Also, in FY 1993 we were charged by the Congress to develop humanitarian assistance programs for displaced Burmese. Our FY 93 program for East Asia is \$111,662,000 DA; \$85,100,000 ESF; \$40,000,000 MAI; \$32,097,000 PL 480 Title II.

The most frequently asked question about East Asia is, why does the U.S. Government need to provide assistance to a part of the world whose economic performance, of late, has far surpassed that of the United States? Indeed, the countries of East Asia

with few exceptions encompass the fastest growing economies in the world. Yet, these are also some of the poorest countries in the world. In general, East Asian countries are already following sound fiscal and monetary policies, have pursued conservative debt management strategies and are rapidly liberalizing their trade regimes. More U.S. exports cross the Pacific than the Atlantic. More than 2 million U.S. jobs depend on exports to East Asia.

Despite the rapid and fairly equitable growth, there are significant development problems which persist and which will negatively affect the sustainability of economic development in the region. These problems include: environmental degradation, AIDS, and democracy and human rights. A.I.D. utilizes relatively small amounts of grant funds to leverage other sources of capital, both public and private, in Asia and in the U.S. This capital is used to promote appropriate economic and environmental policies, to facilitate the introduction of U.S. technologies, to improve environmental management, to conserve biodiversity, to reduce AIDS transmission, and to promote democracy and human rights. These are the areas of emphasis of the A.I.D. programs in Thailand, Indonesia, the Philippines, and the regional programs for the South Pacific and for ASEAN.

One example of how we "partner" funds is the US-Asia Environmental Partnership (US-AEP) which was announced in January 1992. Under the AEP, A.I.D. coordinates the efforts of 28 U.S. Government agencies, as well as U.S. and Asian businesses and

environmental Non Governmental Organizations to deal with the environmental challenges facing Asia.

There are a number of countries in the region which are making the transition from communist to free market economies. In these countries (Mongolia, Cambodia) we are focusing on rehabilitation of critical infrastructure (roads in Cambodia, coal mines and heating/power plants in Mongolia), promotion of free market economic policies and development of democratic institutions. Policy decisions need to be made shortly as to the desirability of expanding the assistance currently provided to Vietnam and Laos for orphans and the handicapped.

Just as we are exploring new modes of assistance in East Asia, we have developed a cost effective staffing model which will reduce overseas presence and operating budget. The bilateral Mission in Thailand has been converted to a Regional Support Mission. Direct hire and contract staff in Thailand will support the programs in Cambodia, Mongolia, Vietnam, Laos and Thailand. In-country presence in the "satellite" missions will be kept at a minimum, capitalizing on the easy transportation and communication linkages with Thailand, as well as the very experienced Thai staff. In addition, regional projects are in place which can be used to pre-position resources to support economic policy reform, democracy and human rights, and AIDS prevention in the region as the situation warrants.

BILATERAL PROGRAMS

INDONESIA - A Development Success Story

The Government of Indonesia has set the ambitious goal of reaching \$1000 per capita by the year 2000. With sufficient help it has reasonable prospects of realizing its goal. Recent GDP growth has averaged almost 7% a year, while major sources of growth have diversified significantly from an earlier reliance on exports of oil and gas. Poverty has declined from 60% in 1970 to 15% in 1990, one of the most dramatic development achievements recorded anywhere in the world. Infant mortality, 225 per thousand births in 1960, dropped to 68 in 1991.

Major challenges remain. Economic growth has put pressure on an environment that includes the world's second largest tropical forest. Large numbers of people still live in poverty. HIV/AIDS represents a major threat to its future. Pluralism and democracy still lag behind economic gains. Indonesia's success in meeting these challenges will be especially significant given its emerging role as a leader in Asia, in the Muslim world, and as the newly appointed leader of the Non-Aligned Movement.

A.I.D. has helped Indonesia gain rice self-sufficiency, launch a world-renowned family planning program, and reach virtually 100% primary school enrollment. In higher education, A.I.D. has financed U.S. training for over 11,000 participants. More than 99% have returned and many have since attained prominent and influential positions in government and industry. In finance, A.I.D. has helped develop one of the largest, most successful, broad-based rural banking systems in the developing

world, and it is now taking a leading role in helping to develop Indonesia's stock exchange and capital markets as well as helping to revise its commercial codes.

Although currently dwarfed in dollar levels by other donors, A.I.D. still retains a unique place at the donors' table. Its years of steady assistance in key problem areas, its ability to deliver new ideas and technology, and increasingly, its role providing highly-valued policy advice continues to make a significant difference. In a country of big donors (in 1992, the World Bank pledged \$1.6 billion, the ADB pledged \$1.2 billion, and the Japanese pledged \$1.3 billion), A.I.D. is ideally placed in a "donor niche" where it gets significant results with comparatively modest resources. Our influence and credibility as a donor have been instrumental in raising human rights issues in ways which draw the attention of the Indonesian government to this important problem. We were the only donor to raise the East Timor situation at last year's donors meeting.

In Indonesia, A.I.D.'s program focuses on:

1. meeting basic needs through improved public and private delivery systems:
 - Examples of A.I.D. activities include: expanding coverage of family planning services; expanding selected urban services to the poor; and building awareness and capacity to meet the emerging HIV/AIDs threat.
2. natural resource management and the environment:
 - Our activities include promoting improved natural

resource and environmental policies and testing pilot practices in such areas as biodiversity conservation.

3. promotion of individual and community rights, and good governance:

- We are strengthening institutions which are central to advancing democratic pluralism such as the legal system, the media/press, labor, the legislature and advocacy organizations.

4. broadened private sector economic growth:

- We provide technical assistance and training to help develop an improved policy environment and improved institutional capacity for growth. Examples include assistance to legal and regulatory institutions affecting markets, contracts and transparency and assistance to key ministries in monetary, fiscal and trade policy formulation.

The FY 1993 program level for Indonesia is \$44.92 million in DA and \$6.987 million in PL 480 Title II.

PHILIPPINES - The Post Bases Relationship

The rapid economic growth in the Philippines in the 1970s proved to be unsustainable by the early 1980s, in large part due to the policies of the Marcos Administration. Under the Aquino Administration, democracy was fully restored and a number of economic reforms were initiated with strong international backing. The agricultural monopolies were dismantled and the

inward oriented policies of the Marcos era were replaced by a gradual liberalization of the economy. By the late 1980s, economic growth averaged 4.6% per year and the incidence of poverty declined. However by 1990, economic growth began to wane due to external shocks to the economy, e.g., oil price increases, natural disasters and the closure of the U.S. military bases. Compounding this situation was weak investor confidence, high interest rates and inadequate public infrastructure, particularly in the power sector. Finally, the stabilization program to decrease the deficit did reduce government expenditures and was successful in curbing inflation. But, due to disappointing efforts to raise revenue, the program also resulted in stagnant real growth in 1990-92.

The combination of little or no economic growth in the face of a 2.4% population growth rate led to a decline in per capita income and an increase in the incidence of poverty in the Philippines. The slight recovery in investment in 1992 suggests that the economy is now poised for growth. The question is how to make the transition from a successful stabilization program to sustainable growth and avoid the boom/bust cycle which has all too often characterized the Philippines economy.

In order to support democracy and achieve sustainable economic growth, the U.S. took the lead in creating the Multilateral Assistance Initiative (MAI) in 1989. This program encourages private sector investment, regional growth and prudent environmental and natural resource management. Significant

reforms have been taken to set the stage for future rapid growth. Moreover, the MAI program is fully compatible with more traditional A.I.D. activities in the areas of family planning and support for PVOs.

Major policy reforms under the A.I.D. program included enactment of a liberal Foreign Investment Code, significant reductions in tariff protection, a market-determined currency exchange rate and the transfer of greater administrative responsibilities to local governments. Other accomplishments included major improvements in access to child survival health care services, successful privatization of parastatal firms, the establishment of an endowment for PVO environmental activities and a host of infrastructure activities. Now in an era of post Cold War, post U.S. bases and limited U.S. foreign aid, the program is considerably smaller, but is still our largest in East Asia. In this new era, the A.I.D. program for the Philippines seeks to promote a new U.S.-Philippine partnership for Democracy and Development and focuses activities in five areas:

1. More responsive democratic institutions:

- A.I.D. activities support increased grassroots PVO involvement to encourage citizen participation and the increased devolution of resources and responsibility to local government units so that local development initiatives may be more responsive to the needs of the people.

2. Improved health and economic well-being:

- A.I.D. funds support increased family planning services;

greater access to maternal and child health services; promotion of AIDS prevention practices; improved health financing mechanisms and increased income opportunities for disadvantaged groups.

3. Enhanced management of renewable resources:

- A.I.D. activities are promoting sustainable management of forest resources; industrial pollution abatement; coastal resources development; and giving responsibility for the environment to the local population.

4. A more open market economy:

- our technical assistance efforts are supporting more outward oriented trade and investment policies; deregulation/liberalization of energy, transport and telecommunications sectors and sectoral policies conducive to trade and agribusiness development.

5. Increased productive investment:

- we are seeking improved access to advanced technology in key sectors; greater privatization; increased fiscal revenues; development of growth centers and diversified financial services.

The FY 1993 program level for the Philippines is \$29.82 million in DA, \$40 million in MAI, \$25 million in ESF and \$25.11 million in PL 480 Title II.

THAILAND - How to Graduate from Foreign Assistance?

Although Thailand has recently experienced near double digit economic growth rates, serious environmental degradation and a catastrophic AIDS epidemic threaten to undermine the country's economic progress. AIDS and environmental degradation are severe problems which have already begun to seriously affect Thailand's immediate neighbors. Not only will Thailand's AIDS problem affect transmission of the disease throughout Asia, it will affect the spread of this horrific disease throughout the world.

Currently there are between 400,000 and 600,000 people, nearly 1% of the population, infected with the HIV virus. By the year 2000, at current rates of infection, 3% of the Thai population may be affected (2-4 million people). The cost of AIDS to the Thai economy just in terms of health care costs, and the cost of lost productivity in the workforce may reach \$8 billion dollars by the turn of the century. This calculation does not include losses due to a reduction in tourism and foreign investment which may also occur due to the prevalence of AIDS.

Economic growth and population pressure have resulted in severe environmental degradation in both urban and rural areas. Serious air pollution, toxic waste management and solid waste collection and disposal problems are present in virtually every urban center. Serious depletion of forests threatens watersheds and increases pollution damage to coastal areas, beaches and marine life.

Thailand has the resources to begin to address these problems. The U.S. has the expertise and technologies to ensure

that such resources are invested well. A.I.D.'s assistance program is designed to bring together U.S. and Thai institutions -- including government agencies, non-governmental organizations, universities and private companies -- to facilitate investments in U.S. technologies which address the AIDS and environment problems in Thailand.

Foreign assistance funds are utilized for the training, technical assistance, policy and feasibility studies which make these linkages and partnerships happen. The direct funding of the partnerships will come from the partners. In this way, limited foreign aid dollars will be used to leverage other public and private investment.

Assistance to Thailand was suspended after a military coup in 1991. When Thailand was certified as having a democratically elected government in place, A.I.D. began exploring assistance options which would both address these key development problems (the environment and AIDS) where the U.S. has comparative advantage and, at the same time, take into account the relatively advanced nature of the Thai economy. A.I.D. is currently exploring the development of an approach which, after an initial infusion of U.S. government funds, can be self supporting, and continue to support technology transfer and U.S./Thai linkages, once Thailand is "graduated" from U.S. foreign aid. Under this new mode of assistance, A.I.D. has already successfully brought Thai and U.S. partners together to address some of Thailand's critical problems such as dealing with the uncontrolled disposal

of hazardous and toxic wastes.

The FY 1993 program level for Thailand is \$6.065 million in DA.

MONGOLIA - From Communism to Democracy and Free Markets

Mongolia stands apart from the other countries we assist in East Asia - in economic terms, geographic terms, climatic terms, political terms. Mongolia has reportedly the coldest capital city in the world, is vast (about two-thirds the size of the U.S.'s lower 48 states) and has a population of 2.2 million people and 26 million head of livestock. It was the first government to accept Communism after the Russian Revolution. Industrialized and militarized by Russia as a buffer zone with China, it has infant mortality, literacy and primary school enrollment rates which compare favorably with the developed world. It was the first government to voluntarily break with the former Soviet Union one year prior to its dissolution. Mongolia has embraced the ideal of democracy and a free market economic system.

Initial parliamentary elections were free and open (dominated by the former Communist party) and a new and democratic constitution was adopted. A direct presidential election is planned for June of this year. Mongolia remains committed to transforming its economy, but will need a lot of help to get to where it wants to go.

The U.S. has been a critical partner in support of

Mongolia's move towards democracy and a market economy. In FY 91 A.I.D. initiated a program which provided economic advisors to the top level of government and established ongoing training programs for new leaders in democracy and free market economic systems. A.I.D. also funded an emergency food shipment program to alleviate a bread shortage and provided an ESF cash transfer to purchase emergency spare parts for the central urban heat/power producing system and other emergency supplies.

With strong support from the U.S., Mongolia joined the International Monetary Fund, the World Bank and the Asian Development Bank in 1991. All three institutions are now providing technical, financial and project aid. The U.S. worked closely with Japan and the international organizations to organize three donor group meetings in 1991 and 1992. These meetings succeeded in raising and coordinating substantial financial and development assistance for Mongolia.

Our FY 92 program continued to support the move towards democracy and free markets. Our Development Assistance has focussed on private sector development, banking, political party development, and privatization of industry and housing. Our ESF funds were used to procure additional emergency parts and equipment to support Mongolia's central energy system which supplies all electrical power and heat for half the population. This assistance was critical in helping the Mongolians avert a disastrous failure of the heating/power system this past winter.

The FY 1993 program level for Mongolia is \$2.237 million in DA and \$8.1 million in ESF.

INDOCHINA

The three countries of Indochina, Cambodia, Laos and Vietnam are among the poorest in the world with no more than \$200 per capita income. Life expectancy is low, infant mortality is high (120 per 1,000 live births in Cambodia), and poverty-linked diseases, i.e., malaria, tuberculosis, diarrhea and gastrointestinal infections are endemic due to decades of war, malnutrition, inadequate health care and poor environmental hygiene. Nonetheless, economic growth in both Laos and Vietnam has been impressive despite major cutbacks in assistance from the former Soviet Union and other donors. While both countries have extensively liberalized their economies, their political systems remain highly centralized with virtually no open opposition.

o CAMBODIA - From War to Peace?

With the May 1993 elections quickly approaching, the political situation in Cambodia is entirely different from Laos and Vietnam. There is chaos, instability, and violence as 20 political parties prepare for an election in which more than 4.6 million of the 5 million eligible to vote have registered. This election is a cornerstone of the Comprehensive Settlement of the Cambodia Conflict.

In 1989, with the capture by the Non-Communists of territory

in Northwestern Cambodia, A.I.D. began to provide humanitarian assistance to the people of this area, which became known as the cross-border program. We directed our assistance efforts to meet health, education, agricultural, and community development needs. Community health posts and district hospitals were established, equipped and staffed. Public health services such as immunizations against childhood diseases were mounted. Abandoned schools were refurbished, teachers were posted and textbooks supplied, and thousands of children in this part of Cambodia are now attending school. Wells, providing safe and clean drinking water, have been dug. Irrigation systems, long abandoned, have been refurbished. The program, which is scheduled to end in September 1993, has received the highest of accolades.

A.I.D. initiated activities throughout Cambodia after the signing of the Peace Agreement in October 1991. Our FY 1992 funding enabled:

- 19 U.S. Private Voluntary Organizations (PVOs) to mount grass roots, community level assistance to vulnerable groups (children, widows, and the disabled) in the areas of prosthetics, maternal and child health, immunization, nutrition education, and potable water supply;
- the rehabilitation of 500 km of rural roads including the removal of up to 5,000 mines for the purpose of facilitating repatriation, promoting economic integration, and delivering

social services;

- the Asia Foundation, the National Democratic Institute, and the International Republican Institute to conduct training seminars for Cambodian political leaders and strengthen local Cambodian human rights groups; and
- 24 Cambodian-American volunteers to work with Private Voluntary Organizations (PVOs) such as the Khmer Buddhist Society, the Women's Association of Phnom Penh, and the Maryknolls to develop AIDS educational material, teach English, provide computer assistance, and aid handicapped children.

Our FY 1993 program will continue and expand the above activities, which are deemed vital to Cambodia's reconstruction and development.

The FY 1993 program level for Cambodia is \$15 million in DA and \$12 million in ESF (plus a likely additional \$25 million in ESF from the South East Asia Contingency Fund).

o LAOS - Still Communist

A.I.D. activities in Laos have been limited due to current legislative restrictions. All A.I.D. ongoing activities with Laos are carried out under the global earmarks for civilian war victims, displaced children and orphans, and disaster relief.

Through the use of "notwithstanding" funds, AID provided

support to a U.S. PVO, World Vision, in the amount of \$850,000 in FY 1990 and \$500,000 in FY 1992, to provide prosthetic devices and rehabilitation training to war victims.

Currently no FY 93 funds are programmed for Laos.

o VIETNAM - Limited Assistance

Even more so than Laos, A.I.D. assistance to Vietnam is extremely restricted. Under the global earmarks for civilian war victims and displaced children, A.I.D. provided approximately \$4.0 million (total) in FY 1991 and FY 1992. This assistance is provided as part of the POW/MIA negotiation process. Since 1991,

- Five U.S. PVOs received funds to provide prosthetic devices and rehabilitation training to amputees (Prosthetics Research Foundation, World Vision, Health Volunteers Overseas, World Rehabilitation Fund, and Vietnam Assistance for the Handicapped).
- Four U.S. PVOs were funded to provide food, shelter, education, and health care to orphans and displaced children (Holt International Children's Services, World Concern, East Meets West Foundation, and World Vision).
- In response to severe flooding in central Vietnam last October, disaster assistance to aid civilian victims was approved.

In FY 1993, we plan to continue support of humanitarian activities already underway.

The FY 1993 program level for Vietnam is \$1.75 million in DA.

BURMA - Earmark

For Fiscal Year 1993, AID has an earmark of \$1.0 million in ESF assistance for humanitarian programs for displaced Burmese. This is the first time since the 1988 coup, which violently stamped out the pro-democracy movement in Burma, that AID resources will be used to assist Burmese. Scholarships for Burmese students to study in the United States and humanitarian assistance (malaria control, food, sanitation, and health activities) for Burmese refugees on the Thai-Cambodia border are currently being provided by USIA and State/Refugee Programs. A.I.D. is working with USIA and State/Refugee Programs to determine the best use of the funds.

The FY 1993 program level for displaced Burmese is \$1 million in ESF.

REGIONAL PROGRAMS

THE SOUTH PACIFIC - Lagging Behind the Pacific Rim

The South Pacific region is vast and diverse, with rich natural resources. However, South Pacific economies and societies are not keeping pace with Pacific Rim development.

Health and population patterns for Melanesians resemble those which frustrate economic growth and family well-being in sub-Saharan Africa. Natural resources, on which most human communities depend for their livelihood, are being consumed at an alarming rate. Levels of literacy and school attendance are abysmal.

The Mission serves ten countries: Papua New Guinea (PNG), Fiji, Vanuatu, Solomon Islands, Kiribati, Tuvalu, Tonga, Western Samoa, Cook Islands and Niue.

A.I.D.'s programs focus on:

- increasing the exports of high value products in fisheries, agriculture and ecoindustries;
- improving family health by promoting family planning and child survival services and AIDS/HIV prevention; and
- conserving vital ecosystems and natural resources.

In addition, A.I.D. administers project support under the existing five-year \$50 million South Pacific Fisheries Treaty, which is being extended with increased benefits for the next ten years after the current expiration date in June 1993. The treaty provides cash transfers and small grants in return for U.S. tuna boat access to the region's stocks.

The FY 1993 program level for the South Pacific is \$7.67 million in DA and \$14 million in ESF for the Tuna Treaty.

ASEAN - The Association of South East Asian Nations

ASEAN comprises the countries of Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. U.S. economic assistance to ASEAN provides an opportunity for us to engage in meaningful foreign policy discussions with the collective of ASEAN nations on critical regional and bilateral issues, including trade liberalization, protection of intellectual property rights and cooperation on global and regional issues (such as Indochina).

A.I.D.'s ASEAN office in Bangkok participates in formal U.S.-ASEAN meetings and funds a small program which supports ASEAN's role in the resolution of regional development issues, including (a) reducing urban and industrial pollution and (b) promoting intra ASEAN and U.S. trade and investment opportunities.

The FY93 program level for ASEAN is \$2.45 million in DA.

Thank you, Mr. Chairman.

Testimony of John Bresnan
Subcommittee on East Asia and the Pacific
Committee on Foreign Affairs
U.S. House of Representatives
May 6, 1993

I am a senior research scholar at the East Asian Institute of Columbia University, and executive director of the Pacific Basin Studies Program there. I also am a former executive of the Ford Foundation, where I was for some years head of its office for Asia and the Pacific. My published work has dealt with the Philippines and Indonesia, and in recent years with U.S. policy on Vietnam and Cambodia. I am currently at work on a study of Southeast Asia and the United States for the Council on Foreign Relations. So my perspective on East Asia and the Pacific is built on a particular knowledge of the southern tier of the region, and it is from that vantage point that I am speaking today.

The principal characteristic that sets off East Asia, including Southeast Asia, is that most of the countries of this region have been experiencing very rapid economic growth for more than a generation. Annual growth rates of six and seven per cent per capita have been the average in South Korea, Taiwan, Hong Kong and Singapore at least since 1965. Rates of four and five per cent per capita have been the average in China, Indonesia, Thailand and Malaysia over the same period of time. (Japan's economy has also been growing in the four to five per cent range per capita.) By comparison, all other low- and middle-income countries in the world have been growing on average at less than two per cent per capita, and all high income countries at around 2.5 per cent per capita. (The United States since 1965 has been growing at only 1.7 per cent per capita.) So the economies of East and Southeast Asia have been increasing their share in global productivity, while the economies of Western Europe and North America have been experiencing a relative decline.

This rapid economic growth is the most important factor driving the politics of East and Southeast Asia today. Domestically, the growth is providing material satisfactions to large parts of the population, and that translates into continuing popular acceptance of the authoritarian regimes that dominate much of the region. The economic growth also is bringing about rapid social change, including the rapid growth of a new middle class in the cities of many countries, and growing demands to participate in the governance of their societies. This pressure for political change is the most probable source of political instability over the coming five to ten years.

With the end of the Cold War, economics also dominates the international agenda. The movement of capital and goods within East and Southeast Asia is now rivalling the movement of capital and goods between the region and North America. This has been especially true since the depreciation of the dollar vis a vis the yen and other currencies, beginning with the Plaza Accord of 1985. The principal movement has been the shift of manufacturing of consumer goods from Northeast to Southeast Asia, especially of consumer goods intended for the

American market. Investment capital also is flowing into China from the rest of the region. Asian analysts are referring to this phenomenon, in which East Asians are increasingly investing in and trading with other East Asians, as the Asianization of the Pacific. The United States remains the most important market for the exports of these economies, however, and all have a favorable trade balance with us.

In terms of international security, Southeast Asia in particular is enjoying a period of greatly relaxed tensions. No nation of the region represents a near-term threat to any of its neighbors. The Russians are gone from the region. The United States is widely seen as withdrawing from the region as well. The one concern is that the end of the Cold War, and the relative decline in American economic strength, might result in an unduly rapid American military withdrawal. The concern is already widespread that the decline in American interest in the region during the years of the Bush administration made possible a rise in the ability of Japan and China to play more active political and security roles in the region.

The cornerstone of the international security system in East and Southeast Asia is the U.S.-Japan security treaty. There is concern in the countries of the region that Japan should not be left to protect itself and its interests entirely on its own. There also is concern that, given China's great size, continued rapid economic growth could provide it with the ability to project its power well beyond its borders in another ten years. The strategic balance of power in the region is thus changing, and leaders in the region with whom I have spoken in the past year clearly feel they need time to prepare for it. One defense minister in Southeast Asia told me this will be the principal task of his country's armed forces for the next generation.

Against these trends in the region, what should the United States be doing to protect its own national interests?

1. The fundamental American interest for at least half a century has been that East and Southeast Asia should not be dominated by any other power or combination of powers. That interest is shared by many in the region as well. So as we look for ways to reduce our defense burdens, we need to keep the emphasis on maintaining a presence in the Western Pacific. And we need to be thinking of ways we can be present there at lower cost. This can and should include becoming more engaged politically and economically than we have been in recent years. Regional forums are of great current interest in the region for discussion of security and economic issues, and it is encouraging to see the new administration taking a more active stance in regard to these new means of communication.

2. It is urgent that we change the way we think and talk about trade. Our current way is much too negative. It is unwise for us to be concerned only with obstacles to trade. The emphasis should be on increasing opportunities, and the focus ought to be on increasing our export sales. Among the principal opportunities in Southeast Asia are sales to public agencies. We need to sit down with the leaders of these Southeast Asian countries, and say to them: Look, you want us to keep our markets open to you and keep our air and naval forces in the region. Well, you need to help us too. Let's work out ways to solve this problem together.

3. We also need to consider realistically how we propose to promote human rights and democratic governance in the region. When gross violations occur, we know that the United States government will be moved to respond, at least rhetorically, and we know that U.S. statements do register on all but the most isolated of governments. On the other hand, the political fundamentals in Southeast Asia are not going to be changed by American diplomacy or sanctions.

They are going to be changed because the people there want political rights for themselves and want them enough to struggle for them. The best hope for long-term change is for the United States to be true to its own ideals, which are looking tarnished to many Southeast Asians today. The next best hope is to move beyond a policy of ad hoc responses to emergencies, and begin to talk with like-minded governments about what we can do together.

The principal theme of these remarks is that we should act more often in unison with others. That is a lot to expect from a nation that has been much given to acting unilaterally, especially now that it is the world's only superpower. But for us to do otherwise would be to fail to recognize our diminished capabilities. East and Southeast Asia is on a long-term rise in its economic power, and that is increasingly being translated into political power. Remaining seriously engaged with that power is very much in our own long-term interest. That means that we must be prepared to engage the governments of East and Southeast Asia on several levels -- bilaterally, more often than has been our disposition in the past; globally, when we can find common ground in spite of the differences of scale and interest that exist among nations; and also regionally, which in East and Southeast Asia will be relatively new for everyone concerned. Advancing our interests at this regional level will be at the forefront of our diplomatic agenda for the next several years.

HFAC: Weaken U.S. Presence

Question:

Despite our assurances to the contrary, many of our friends and allies in the region perceive a weakened U.S. commitment to East Asia. What can we do, or have we done, to allay these fears?

ANSWER:

- o The U.S. is fully committed to remaining strongly engaged --military, politically, and economically--in the East Asia-Pacific region. With the world's most dynamic economies and half of the world's population in the region, we have no choice.
- o We have mutual defense treaties with Japan, South Korea, Thailand, the Philippines, and Australia and we intend to honor our commitments under those treaties.
- o The U.S.-Japan alliance remains the cornerstone for stability in the Asia-Pacific region. Virtually every government in the region has voiced support for the alliance as contributing to the prevention of an arms race.
- o We are pursuing a flexible strategy based on:
 - Forward deployed forces in Japan and South Korea
 - Utilization of facilities in other allied or friendly countries, such as Singapore, Thailand, and the Philippines;
 - Enhanced cooperation with our allies and friends.
- o We are not seeking new, permanent bases.
- o Despite our assurances to the contrary, many of our friends and allies in the region perceive a weakened U.S. commitment to East Asia.
- o In addition to continued assurances, we are interested in exploring with like-minded countries appropriate cooperation for enhancing regional and sub-regional stability and security.

Foreign Aid and the Changing International Situation

QUESTION: What is the relationship of the Administration's proposed foreign aid programs to the changing international context and U.S. political, economic, and security interests in the East Asia-Pacific region? What is the connection between the aid which the Administration is requesting for the countries of East Asia-Pacific and other objectives of U.S. foreign policy --including nuclear nonproliferation, promotion of democracy and human rights, and peaceful settlement of regional conflicts?

ANSWER:

- o THIS ADMINISTRATION IS STRONGLY COMMITTED TO DEMOCRATIC DEVELOPMENT AND INCREASED RESPECT FOR HUMAN RIGHTS. OUR MODEST IMET PROGRAM FOR THE REGION IS SPECIFICALLY DESIGNED TO EXPOSE FOREIGN MILITARY AND CIVILIAN GOVERNMENT LEADERS TO U.S. DEMOCRATIC VALUES, RESPECT FOR HUMAN RIGHTS, BELIEF IN THE RULE OF LAW, AND THE WAY IN WHICH THE U.S. MILITARY FUNCTIONS UNDER CIVILIAN CONTROL. 4,800 PERSONS FROM EAST ASIA-PACIFIC HAVE ATTENDED U.S. SCHOOLS UNDER IMET IN THE LAST 5 YEARS.
- o THE SMALL FMF AND ESF PROGRAMS IN THE PHILIPPINES ARE DESIGNED TO STRENGTHEN THE DEMOCRATIC PROCESS IN THAT COUNTRY IN THE FACE OF A STILL ACTIVE COMMUNIST AND MUSLIM INSURGENCY, PROMOTE FREE MARKET-BASED ECONOMIC REFORMS, IMPROVE THE POOR RURAL LIVING CONDITIONS WHICH FUEL THE INSURGENCY, AND CONTINUE IMPROVEMENTS IN THE PROFESSIONALISM OF THE ARMED FORCES OF THE PHILIPPINES, INCLUDING RESPECT FOR CONSTITUTIONAL PROCESSES AND HUMAN RIGHTS.
- o IN CAMBODIA, BOTH THE CAMBODIAN ECONOMIC DEVELOPMENT PROGRAM AND SOUTHEAST ASIA REGIONAL FUND ARE PART OF A LARGER INTERNATIONAL EFFORT TO SUPPORT A DEMOCRATIC ELECTION, STABILIZE THE ECONOMY, PROMOTE THE GROWTH OF DEMOCRATIC AND FREE MARKET INSTITUTIONS, AND SUPPORT COOPERATION ON POW/MIA ISSUES IN THE REGION.

Regional FMS Programs

QUESTION: In Fiscal Year 1993, \$3.9 million was allocated for regional support programs in East Asia. Would you describe these programs and tell us what levels the Administration is requesting for fiscal year 1994, for regional support programs.

ANSWER:

- o The Southeast Asia Regional Fund is designed to sustain Cambodia's long-term economic and political development, promote democratic values and human rights, and help bring peace and stability to the region. It also helps obtain Cambodia's continued cooperation on POW/MIA issues and cooperation with Laos on counter-narcotics issues. The \$20 million requested for FY 1994 would also support the UN settlement plan, assist Cambodians in leadership training, human rights education, and provide long term development needs.
- o Pursuant to the Magnuson Fisheries Conservation and Management Act of 1990, the U.S. and Pacific Island countries agreed to extend the South Pacific Regional Fisheries Treaty which guarantees continued access by U.S. tuna boats to large portions of the South Pacific. First concluded in 1987, the treaty has removed a major irritant in U.S. relations with the region and is regarded as a model agreement that encourages cooperation on marine resources and other policies. \$14 million is requested for 1994 under FMS financing.
- o The \$10 million in ESF funding requested for the Cambodian Economic Development Fund will support the growth of democratic and free market institutions, help the newly elected government cope with urgent humanitarian needs and help rebuild Cambodia's infrastructure.

Question: In what respects are trends in foreign assistance to East Asia and the Pacific consistent with trends for other parts of the world?

ANSWER: FOREIGN ASSISTANCE TO THE EAST ASIA AND PACIFIC REGION HAS DECLINED OVER THE PAST FEW YEARS RELATIVE TO ASSISTANCE TO OTHER REGIONS OVERALL, THERE HAS BEEN A DECREASE IN SECURITY ASSISTANCE FUNDS. THE MAINTENANCE OF SECURITY ASSISTANCE LEVELS FOR THE MIDDLE EAST, COMBINED WITH A DECLINE IN ESF AND MILITARY ASSISTANCE FOR THE PHILIPPINES, HAS IN LARGE PART ACCOUNTED FOR THE DECREASE IN EAST ASIA AND THE PACIFICS'S RELATIVE SHARE OF SECURITY ASSISTANCE.

AT THE SAME TIME, NON-MILITARY US FOREIGN ASSISTANCE TO EAST ASIA AND THE PACIFIC HAS DECREASED AS WELL, WITH A NOTICIBLE DROP IN FY 93. IN FY 93, A.I.D. ASSISTANCE TO THE REGION (INCLUDING DA, ESF, MAI AND PL 480 TITLES II AND III) ACCOUNTED FOR 3.6% OF TOTAL A.I.D. FUNDING. THIS LEVEL COMPARES TO 6.2% in FY 90, 6.1% in FY 91 and 5.9% in FY 92.

MUCH OF THE DECLINE CAN BE DIRECTLY TRACED TO REDUCED ASSISTANCE TO THE PHILIPPINES BOTH IN ESF AND MAI LEVELS. ADDITIONALLY, THE INCREASE IN ASSISTANCE TO EASTERN EUROPE AND THE NIS HAS REDUCED THE EAST ASIA/PACIFIC SHARE RELATIVE TO TOTAL A.I.D. FUNDING AVAILABLE.

Spratly IslandsQuestion

What is the status of the dispute over the Spratly Islands? What is the potential for armed conflict between the various claimants?

Answer

- o THE PRC AND VIETNAM, AS WELL AS TAIWAN, CLAIM ALL OF THE PARACEL AND SPRATLY ISLANDS OF THE SOUTH CHINA SEA. THE PHILIPPINES, MALAYSIA, AND BRUNEI ALSO CLAIM SOME REEFS OR ISLANDS.
- o WHILE TENSION AND SUSPICIONS AMONG THE COMPETING CLAIMANTS IN THE AREA ARE REAL, THE LIKELIHOOD OF A SIGNIFICANT MILITARY CONFLICT OCCURRING IN THE COMING MONTHS IS LOW.
- o WE TAKE NO POSITION ON THE LEGAL MERITS OF COMPETING CLAIMS.
- o THE U.S. FAVORS A PEACEFUL SETTLEMENT AMONG THOSE CLAIMING SOME OR ALL OF THE ISLANDS OF THE SOUTH CHINA SEA.
- o THE UNITED STATES STRONGLY SUPPORTS EFFORTS BY INDONESIA AND ASEAN TO FACILITATE PROGRESS TOWARD A RESOLUTION OF THE CLAIMS.
 - INDONESIA HAS CONVENED A SERIES OF UNOFFICIAL CONFERENCES ON THE SPRATLYS TO HELP CLAIMANTS JOINTLY REACH AGREEMENT ON DEVELOPING THE RESOURCES IN THE AREA WHILE SETTING ASIDE SOVEREIGNTY ISSUES.
 - ASEAN FOREIGN MINISTERS ISSUED A DECLARATION ON THE SOUTH CHINA SEA DURING MEETINGS IN MANILA LAST JULY. THEY CALLED FOR MUTUAL RESTRAINT BY ALL CLAIMANTS WITHOUT PREJUDICING INDIVIDUAL CLAIMS.
- o CHINA HAS ALSO CALLED FOR JOINT ECONOMIC DEVELOPMENT OF THE REGION WHILE SETTING ASIDE SOVEREIGNTY ISSUES.
- o WE ARE NOT DIRECTLY INVOLVED IN EFFORTS TO PEACEFULLY RESOLVE DIFFERENCES, BUT ARE WILLING TO HELP.

Cambodia: Economic AssistanceQuestion

Is the U.S. providing economic assistance to Cambodia? What are other countries doing in this regard?

Answer

- O YES, THE U.S. HAS PROVIDED MORE THAN \$100 MILLION IN HUMANITARIAN AND COMMUNITY DEVELOPMENT ASSISTANCE TO CAMBODIA SINCE 1986, INCLUDING ABOUT \$25 MILLION IN 1991 AND \$55 MILLION IN 1992.
 - THE \$55 MILLION IN 1992 INCLUDED NEARLY \$20 MILLION TO HELP REPATRIATE AND RESETTLE CAMBODIANS.
- O IN FY 1993, WE PLAN TO PROVIDE MORE THAN \$50 MILLION IN ECONOMIC ASSISTANCE TO CAMBODIA.
 - THESE FUNDS WILL BE USED TO MEET PRESSING HUMANITARIAN NEEDS, REHABILITATE KEY ROADS AND PROMOTE DEMOCRACY.
- O WE WILL ALSO BE PROVIDING ASSISTANCE THROUGH LOANS FROM INTERNATIONAL FINANCIAL INSTITUTIONS TO CAMBODIA.
 - THE ASIAN DEVELOPMENT BANK (ADB), THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND ARE PLANNING TO OFFER APPROXIMATELY \$150 MILLION IN LOANS TO ASSIST IN THE REHABILITATION AND RECONSTRUCTION OF CAMBODIA OVER THE NEXT FEW YEARS.
- O INTERNATIONAL DONOR COUNTRIES AND ORGANIZATIONS PLEDGED A TOTAL OF ABOUT \$880 MILLION IN ECONOMIC ASSISTANCE TO CAMBODIA AT THE CONFERENCE ON CAMBODIAN REHABILITATION AND RECONSTRUCTION IN TOKYO IN JUNE OF 1992.
- O (IF ASKED) WHY IS U.S. AID GOING IN DISPROPORTIONATE AMOUNTS TO THE NON-COMMUNISTS? ISN'T THAT AGAINST THE PARIS ACCORDS?
 - IN 1992, ONLY \$3 MILLION OF OUR TOTAL ASSISTANCE TO CAMBODIA OF \$26 MILLION WENT SPECIFICALLY TO SUPPORT HUMANITARIAN AND COMMUNITY DEVELOPMENT IN AREAS CONTROLLED BY THE NON-COMMUNISTS.
 - BEGINNING IN 1993, U.S. ASSISTANCE TO CAMBODIA WILL BE INTEGRATED AND ADMINISTERED OUT OF OUR AID OFFICE IN PHNOM PENH.

Cambodia: U.S. Support for UNTACQuestion

What is the U.S. role in the UN peacekeeping operation in Cambodia? Would you be willing to support an increased U.S. involvement in UNTAC?

Answer

- O WORKING WITH THE PERM 5 AND OTHER CORE GROUP COUNTRIES, THE U.S. HAS BEEN AN ACTIVE PARTICIPANT IN THE NEGOTIATION AND IMPLEMENTATION OF THE PARIS PEACE ACCORDS.
- O THE U.S. CONTRIBUTES NEARLY ONE THIRD, OR ABOUT \$500 MILLION, OF UNTAC'S CURRENT OPERATING COST OF \$1.6 BILLION. IN ADDITION, 51 U.S. MILITARY OBSERVERS AND LOGISTICIANS ARE PARTICIPATING IN PEACEKEEPING OPERATIONS.
- O THE U.S. IS FULLY COMMITTED TO THE UN EFFORT TO ENSURE THAT THE CAMBODIAN PEOPLE ARE ABLE TO CHOOSE A LEGITIMATE GOVERNMENT THROUGH FREE AND FAIR ELECTIONS AND TO OPPOSING ANY RETURN TO POWER BY FORCE BY THE KHMER ROUGE.
- O UNTAC CURRENTLY HAS OVER 21,000 CIVILIAN AND MILITARY PERSONNEL IN CAMBODIA, INCLUDING NEARLY 16,000 PEACEKEEPING TROOPS. IT REPRESENTS THE LARGEST UN PEACEKEEPING OPERATION IN HISTORY. UNTAC OFFICIALS HAVE EXPRESSED CONFIDENCE THAT THEY CAN ACCOMPLISH THEIR PRINCIPAL MISSION -- TO OVERSEE FREE AND FAIR ELECTIONS -- WITH THE PERSONNEL CURRENTLY AVAILABLE.
- O HOWEVER, WE MAINTAIN A REGULAR DIALOGUE WITH THE UN CONCERNING CAMBODIA AND WOULD CONSIDER, ALONG WITH OTHER SECURITY COUNCIL MEMBERS, ADDITIONAL SUPPORT TO UNTAC SHOULD IT BE REQUIRED TO IMPLEMENT THE UN PEACE PLAN.

HFAC SUBCOMMITTEE Q'S AND A'S

(To be answered in conjunction with AID/ASIA/EAP)

Question:

Are U.S. interests in any way ill-served by other donors' displacing the United States?

ANSWER:

- o OUR MODEST ECONOMIC AND SECURITY ASSISTANCE PROGRAMS IN ASIA AND THE PACIFIC ARE IMPORTANT FOREIGN POLICY TOOLS FOR ACHIEVING OUR GOALS IN ASIA. ACHIEVING THESE GOALS WITHOUT SUFFICIENT SUPPORT WOULD BE EXTREMELY DIFFICULT; MOREOVER, REDUCED ASSISTANCE WILL GIVE CREDENCE TO THE CONCERN OF SOME OF OUR ASIAN ALLIES THAT THE U.S. IS LOSING INTEREST IN THE REGION.

Question:

What is the level of U.S. private sector investment in Asia and how does it compare with Japanese and EC assistance?

ANSWER:

- o AS OF YEAR-END 1991, THE LATEST FIGURES AVAILABLE, THE VALUE OF U.S. DIRECT FOREIGN INVESTMENT IN EAST ASIA AND THE PACIFIC WAS \$67 BILLION. U.S. DIRECT INVESTMENT FIGURES ARE BASED ON HISTORICAL COST, WHICH MAY UNDERSTATE THEM RELATIVE TO OTHER COUNTRIES' INVESTMENT FIGURES. JAPANESE DIRECT FOREIGN INVESTMENT FOR THEIR FISCAL YEAR 1991 (APRIL 1991 TO MARCH) WAS \$80 BILLION. WE DO NOT HAVE PRECISE FIGURES FOR EC INVESTMENT IN EAST ASIA IN 1991, BUT WE BELIEVE IT TO BE LOWER THAN U.S. OR JAPANESE INVESTMENT IN THE REGION.

Q: What is your assessment of the current strategy of both the Khmer Rouge and the Phnom Penh regime? What are the capabilities of each to carry out their respective strategies? What is the Khmer Rouge's objective in carrying out this rampage of terror?

- A: We believe that the current strategy of the Khmer Rouge is to create general instability in Cambodia in an attempt to disrupt and discredit the upcoming elections. They have escalated hostilities over the past few months, including direct attacks against UNTAC personnel which have resulted in a number of fatalities.
- o The Khmer Rouge clearly have the capability to disrupt the elections, but it is not clear that they can stop the elections from going forward as scheduled.
 - More than 95% of eligible Cambodian voters and twenty political parties have registered to participate in the upcoming elections, despite the Khmer Rouge attacks and refusal to participate.
 - Since the campaign began on April 7, these parties have held hundreds of political rallies throughout Cambodia, with tens of thousands showing up in many of these rallies.
 - The U.S. and other countries in the region, e.g., Malaysia, Indonesia, Thailand, Singapore and Australia, are providing additional equipment and materiel, including helicopters, flak jackets, helmets and so on, to help UNTAC enhance security conditions during the elections.
 - o Although we expect the Khmer Rouge to continue hostilities, we believe that the elections will be held as scheduled.
 - o We are also very concerned about the Phnom Penh regime's continued use of political intimidation and violence to influence the outcome of the elections, although the level of actual violence has declined somewhat in recent months.
 - o We have urged the State of Cambodia repeatedly to stop such acts and to permit the other parties and candidates to move about freely and to have fair access to SOC-controlled media.
 - o The UN has also undertaken a campaign to educate the people about the electoral process and to convince them, in particular, that their votes will be absolutely secret.
 - If the people believe this, we think that they will be willing to vote freely for whomever they want.

Q: What policy regarding Cambodia would you propose for the U.S. for each of the following scenarios -- the status quo, the elections are held but are seriously undermined (by KR disturbances, by actions of other factions, or both), the elections are held in a free and fair manner, without KR disruption, and a new government emerges, as unlikely as that scenario is. Based on the implementation of the Cambodia peace process so far, what is your assessment of the UN's capacity to conduct complex peacekeeping operations in situations like Cambodia?

- A: We believe that the present U.S. policy of vigorously supporting the peace process and assisting the UN in the holding of the elections as scheduled continues to be the best policy.
- We believe that, under present conditions, UNTAC will be able to hold the elections as scheduled, and give the Cambodians at long last a chance to choose their own leaders and form their own government.
 - o We are committed to recognize the government emerging from the elections, if and when the UN certifies the elections to be free and fair. We have also called on all Cambodians and other governments to abide by the results of the elections.
 - o If the UN is unable to certify the elections, we will have to consult further with other UN Security Council members and Paris Accords signatories to determine how best to proceed under those circumstances.
 - o In general, despite the obstacles which have arisen in the process, we believe that the UN peacekeeping operation in Cambodia has been successful in realizing the fundamental objectives of the Paris Accords, i.e., to give the Cambodian people a chance to determine their own political future.
 - This does not mean that it has solved all of Cambodia's enormous problems; it was never expected to do so.
 - The U.S. and the international community must continue our commitment to Cambodia by assisting the future government in trying to address these problems even after the departure of UNTAC.
 - o We will be assessing the UN operation in Cambodia at some length in the near future to determine what lessons we can learn from it in terms of improving the UN's capacity to conduct future peacekeeping missions in other parts of the world.

CHINA - "RADIO FREE CHINA"Question

What are your views on "Radio Free Asia" or "Radio Free China?"

ANSWER

- o THE ESTABLISHMENT OF A RADIO FREE ASIA SHOULD BE ONE PART OF OUR POLICY TO INCREASE THE FLOW OF INDEPENDENT NEWS AND INFORMATION INTO NOT ONLY CHINA BUT ALSO VIETNAM, NORTH KOREA, BURMA, AND LAOS.
- o RADIO FREE ASIA WOULD BE A SURROGATE BROADCASTING SERVICE WHICH WOULD CONCENTRATE ON NEWS AND INFORMATION ABOUT EVENTS IN THE COUNTRIES TO WHICH IT IS BROADCASTING.
- o AS SECRETARY CHRISTOPHER SAID DURING HIS JANUARY CONFIRMATION HEARINGS, "DEMOCRACY CANNOT BE IMPOSED FROM THE TOP DOWN BUT MUST BE BUILT FROM THE BOTTOM UP." WE SUPPORT THE CREATION OF RADIO FREE ASIA "TO ENSURE THAT THE PEOPLE OF ALL ASIAN NATIONS WILL HAVE ACCESS TO UNCENSORED INFORMATION ABOUT THEIR SOCIETIES AND ABOUT THE WORLD."

Q: A February 1992 GAO report stated that "No IMET-trained Indonesia Army officers held senior-level positions in the East Timor command structure on the day of the shooting incident." In light of that do you believe that we should restart IMET funding for Indonesia?

- A: -- WE ARE NOT ASKING TO RESUME IMET IN FY94 BECAUSE OF OUR AWARENESS OF CONGRESSIONAL CONCERNS AND BECAUSE INDONESIA HAS INDICATED THAT IT DOES NOT WANT IMET UNDER CURRENT CIRCUMSTANCES.
- HOWEVER, U.S. INTEREST IN CULTIVATING GREATER RESPECT FOR HUMAN RIGHTS AMONG INDONESIAN MILITARY OFFICERS WOULD BE WELL SERVED BY RESUMING OUR IMET PROGRAM.
- BOTH THE COMMITTEE AND WE IN THE DEPARTMENT SHOULD BE LOOKING FOR A WAY TO RESTORE A PROGRAM THAT SERVES U.S. INTERESTS.

Q: What are the prospects that the current discussions between the Indonesians and the Portuguese will lead to an agreement on East Timor?

- A: -- AS YOU KNOW, THESE DISCUSSIONS ARE HELD UNDER THE AUSPICES OF THE UN SECRETARY GENERAL. WE HAVE STRONGLY SUPPORTED THE EFFORTS OF THE SECRETARY GENERAL TO FIND A SOLUTION TO THIS PROBLEM
- I RECOGNIZE THAT THESE DISCUSSIONS HAVE BEEN ON-GOING FOR A NUMBER OF YEARS, A FACT WHICH HAS UNDOUBTEDLY LED MANY TO BE DISAPPOINTED THAT A SOLUTION HAS NOT YET BEEN FOUND. NEVERTHELESS, INDONESIAN AND PORTUGUESE FOREIGN MINISTERS MET WITH THE SECRETARY GENERAL IN APRIL AND I UNDERSTAND THEY PLAN TO MEET AGAIN IN SEPTEMBER. WE HOPE THEY WILL BE ABLE TO MAKE SOME PROGRESS DURING THE NEXT MEETING.

Q: Given Indonesia's human rights record, why should we continue to sell arms to Indonesia?

- A -- AS YOU KNOW, THE ADMINISTRATION HAS SEVERAL ARMS CASES UNDER REVIEW.
- IN DECIDING THESE CASES, WE WILL NEED TO WEIGH A VARIETY OF FACTORS INCLUDING, OUR INCREASINGLY IMPORTANT MILITARY RELATIONS WITH INDONESIA, INDONESIA'S HUMAN RIGHTS RECORD, OUR COMMERCIAL INTERESTS IN INDONESIA AND THE IMPACT OF ANY DECISIONS WE MIGHT MAKE ON THE MANY OTHER AREAS IN WHICH WE COOPERATE PRODUCTIVELY WITH INDONESIA.
- WE HAVE HAD SOME INFORMAL CONSULTATIONS WITH THE COMMITTEE ALREADY AND WILL STAY IN TOUCH AS WE CONSIDER THESE CASES.

- Q Do you believe that placing restrictions on our economic assistance would improve Indonesia's respect for human rights?
- INDONESIA IS STILL A POOR COUNTRY; AID IS IMPORTANT TO IMPROVING PEOPLES' LIVES, INCLUDING IMPORTANTLY IN EAST TIMOR.
 - SPECIFIC ELEMENTS OF OUR CURRENT AID PROGRAM ADDRESS HUMAN RIGHTS AND DEMOCRATIC DEVELOPMENT.
 - MOST BROADLY SPEAKING, EFFORTS TO STRENGTHEN INDONESIA'S ECONOMIC WELL BEING WILL CONTRIBUTE OVER THE LONG TERM TO GREATER RESPECT FOR HUMAN RIGHTS.
 - I THINK PLACING RESTRICTIONS ON OUR ECONOMIC ASSISTANCE WOULD SET BACK OUR HUMAN RIGHTS INTERESTS.

INDONESIA - GSP WORKER RIGHTS

Question

What will be the impact on U.S.-Indonesian relations if Indonesia is denied eligibility for GSP? What impact will denial of GSP have on U.S. business interests in Indonesia?

Answer

THE QUESTION OF WHETHER OR NOT THE UNITED STATES WILL SUSPEND INDONESIA'S GSP ELIGIBILITY WILL ULTIMATELY BE DECIDED BY THE PRESIDENT. RESPONSIBLE AGENCIES ARE REVIEWING ALL AVAILABLE INFORMATION IN ORDER TO GAIN A CLEAR AND BALANCED PICTURE OF HOW INDONESIAN WORKER RIGHTS REGIMES ARE EVOLVING. EVERY EFFORT IS BEING MADE TO ARRIVE AT AN IMPARTIAL AND BALANCED CONCLUSION AND TO PROVIDE THE PRESIDENT WITH THE BEST POSSIBLE RECOMMENDATIONS AND RANGE OF OPTIONS CONSISTENT WITH ALL RELEVANT SECTIONS OF THE GSP STATUTE. THIS PROCESS IS CONTINUING AND I CANNOT SPECULATE NOW ON ITS OUTCOME.

A SUSPENSION OF GSP BENEFITS WOULD AFFECT U.S.-INDONESIAN RELATIONS IN SIGNIFICANT WAYS. THE LOSS OF GSP, BY LAW, WILL LEAD THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) TO CEASE PARTICIPATION IN NEW PROJECTS IN INDONESIA. WHILE SUSPENSION WOULD NOT AFFECT CURRENTLY INSURED PROJECTS, PROCESSING OF ALL PENDING AND PIPELINE REQUESTS WOULD STOP. OPIC OFFICIALS ESTIMATE THAT SUSPENSION COULD AFFECT \$790.7 MILLION IN PENDING APPLICATIONS, AND ANOTHER \$450-500 MILLION IN THE PIPELINE.

WHATEVER THE PRESIDENT DECIDES, OUR HOPE IS THAT INDONESIAN WORKER RIGHTS PRACTICES WILL MORE CLOSELY APPROACH INTERNATIONAL STANDARDS IN THE NEAR FUTURE. WE WILL WORK WITH THE GOVERNMENT OF INDONESIA TOWARD THAT END.

Q: Is there some other way for us to keep pressure on Indonesia without cutting off foreign aid or trade benefits?

A: YES, THERE IS. FOR EXAMPLE, AT THE MARCH 1993 SESSION OF THE UN HUMAN RIGHTS COMMISSION IN GENEVA, THE UNITED STATES JOINED IN CO-SPONSORING AN EC-INITIATED RESOLUTION CRITICAL OF HUMAN RIGHTS CONDITIONS IN EAST TIMOR.

WE CONTINUE TO PRESS INDONESIA HARD BOTH BILATERALLY AND MULTILATERALLY TO IMPROVE ITS HUMAN RIGHTS RECORD. WE WILL DO THIS IN AN EFFECTIVE MANNER THAT TAKES INTO ACCOUNT OUR OTHER IMPORTANT ECONOMIC, POLITICAL AND SECURITY INTERESTS IN INDONESIA.

WE BELIEVE U.S. ASSISTANCE TO INDONESIA SHOULD CONTINUE BECAUSE THE USG HAS A ROLE IN FOSTERING FURTHER ECONOMIC GROWTH, SOUND ENVIRONMENTAL POLICIES AND THE PROMOTION OF DEMOCRACY THROUGHOUT INDONESIA.

Q: Do we have any requests from Indonesia for military or commercial aircraft? -- Do we anticipate receiving any?

A: McDonnell-Douglas has been negotiating with an Indonesian company an arrangement whereby three MD-11 aircraft would be leased or purchased by the Indonesian airline Garuda. Indonesia has also indicated a desire to purchase F-5's. Indonesia still receives components, repair parts and auxillary services for its F-16's and other aircraft programs.

JAPAN: Relations with China and Russia

Q: What impact could there be on the stability of the U.S.-Japan security relationship if Japan and the U.S. increasingly diverge on policies toward Russia and China?

A: JAPAN AND THE U.S. SHARE SIGNIFICANT COMMON INTERESTS IN THE SUCCESS OF REFORM IN BOTH COUNTRIES. WHILE OUR APPROACH TO THE TWO COUNTRIES MAY DIFFER IN NUANCE, WE SHARE THE SAME GOALS.

CHINA

CHINA'S SIZE, PROPINQUITY, LONGSTANDING HISTORICAL AND CULTURAL LINKS, AND BURGEONING ECONOMIC RELATIONS FORCE TOKYO TO DEAL WITH THE PRC PRAGMATICALLY. GIVEN CHINA'S ROLE AS A MAJOR PLAYER ON THE EAST ASIAN SCENE, GOJ ATTENTION TO BILATERAL RELATIONS WITH CHINA IS SECOND IN IMPORTANCE ONLY TO THE AMERICAN ALLIANCE. CHINESE BEHAVIOR ON THE CONTINENT AND ELSEWHERE IN EAST ASIA ALSO EXERTS A STRONG EFFECT ON JAPANESE SECURITY CONCERNS.

THE JAPANESE IMPOSED SANCTIONS ON CHINA IN THE WAKE OF TIANANMEN AS DID THE REST OF THE G-7, BUT WAS AMONG THE FIRST G-7 COUNTRIES TO EASE THEM. THE EMPEROR'S LATE 1992 CHINA VISIT SIGNALLED THE RETURN OF FULLY NORMALIZED RELATIONS.

THE GOJ NEVERTHELESS HAS REGULARLY BROACHED HUMAN RIGHTS CONCERNS IN MEETINGS WITH CHINESE OFFICIALS AND SUPPORTED OUR POSITION ON CHINA AT THE U.N. HUMAN RIGHTS COMMISSION JAPAN HAS ALSO BEEN HELPFUL IN CONVEYING TO THE CHINESE OUR COMMON NON-PROLIFERATION CONCERNS.

RUSSIA

IMPROVEMENTS IN RUSSO-JAPANESE BILATERAL RELATIONS REMAIN HOSTAGE TO THE DISPUTE OVER THE NORTHERN TERRITORIES. THE SOVIETS PROMISED TO RETURN TWO OF THE LESSER ISLANDS IN EXCHANGE FOR A PEACE TREATY IN 1956, BUT SOVIET FOREIGN MINISTER GROMYKO NIXED THE DEAL IN 1960 AS EAST-WEST TENSIONS FLARED. THE SOVIETS DENIED THE EXISTENCE OF THE PROBLEM THROUGHOUT THE 1970's AND '80's. THE US FIRMLY SUPPORTS JAPAN'S POSITION ON THE TERRITORIAL DISPUTE.

TOKYO CONDITIONS LARGE SCALE BILATERAL ASSISTANCE FOR RUSSIA ON A RESOLUTION OF THE TERRITORIAL DISPUTE. HOWEVER, IT REMAINS WILLING TO PROVIDE HUMANITARIAN AS WELL AS FINANCIAL ASSISTANCE IN A MULTILATERAL CONTEXT. THE GOVERNMENT OF JAPAN HAS SO FAR PLEDGED ABOUT \$4.6 BILLION IN EXPORT INSURANCE, CREDITS, AND HUMANITARIAN ASSISTANCE.

DESPITE TUMULTUOUS BILATERAL RELATIONS, JAPAN HAS REFRAINED FROM LINKING THE TERRITORIAL ISSUE TO ITS DUTIES AS G-7 CHAIRMAN, AND HAS WORKED HARD TO COORDINATE G-7 APPROACHES TO RUSSIAN ASSISTANCE. THE JAPANESE SUPPORTED G-7 EFFORTS TO CONVENE AN APRIL G-7 JOINT MINISTERIAL MEETING TO COORDINATE RUSSIAN ASSISTANCE EFFORTS, AND TOKYO INVITED YELTSIN TO MEET WITH G-7 LEADERS ON THE OCCASION OF THE G-7 SUMMIT.

JAPAN: Technology Transfer

Q: On the issue of technology transfer, should the U.S. try to control or limit the transfer of U.S.-developed technology to Japan or limit U.S. dependency on Japanese products?

A: WE BELIEVE THAT IT IS MORE USEFUL TO ENCOURAGE INCREASED TECHNOLOGY FLOWBACK FROM JAPAN THAN TO RESTRICT THE FLOW OF U.S. TECHNOLOGY. IN THE 1980'S, THE U.S. BEGAN TO GIVE STRONG ATTENTION TO REALIZING THE TRANSFER FROM JAPAN TO THE U.S. OF TECHNOLOGY THAT COULD ADVANCE OUR WEAPON SYSTEM DEVELOPMENT PROGRAMS AND STRENGTHEN THE U.S. DEFENSE INDUSTRIAL BASE. IN 1983, JAPAN MODIFIED A LONGSTANDING POLICY OF PROHIBITING THE EXPORT OF MILITARY TECHNOLOGY AND EQUIPMENT IN ORDER TO PERMIT THE EXPORT OF MILITARY TECHNOLOGY TO THE U.S. THE U.S. AND JAPAN AGREED ON A SET OF DETAILED ARRANGEMENTS FOR THE TRANSFER OF MILITARY TECHNOLOGIES IN 1985.

THE FSX PROGRAM IS ONE AREA IN WHICH WE HAVE REALIZED SIGNIFICANT TECHNOLOGY FLOWBACK. THE FSX DEVELOPMENT PROGRAM CALLS FOR THE JOINT DEVELOPMENT OF AN F-16 DERIVATIVE FIGHTER AIRCRAFT AND THE PRODUCTION OF SIX PROTOTYPES. UNDER THE FSX AGREEMENT, JAPAN IS RESPONSIBLE FOR FUNDING THE ENTIRE PROGRAM.

TECHNOLOGIES OF INTEREST TO THE U.S. INCLUDE THE CO-CURED COMPOSITE WING AND THE ACTIVE PHASED ARRAY RADAR. THE LOCKHEED FT. WORTH COMPANY HAS RECEIVED A SIGNIFICANT LEVEL OF JAPANESE COMPOSITE WING DESIGN AND PRODUCTION DATA.

THE U.S. AIR FORCE IS ALSO INTERESTED IN EVALUATING JAPANESE PHASED ARRAY RADAR TECHNOLOGY, AND HAS CONTRACTED WITH THE MITSUBISHI ELECTRIC CORPORATION TO PURCHASE FIVE PHASED ARRAY RADAR TRANSMITTER/RECEIVER MODULES FOR TESTING. DELIVERY OF THE MODULES IS SCHEDULED FOR JULY 1993.

THE U.S. AND JAPAN ARE ALSO ACTIVELY ENGAGED IN OTHER AREAS OF DEFENSE TECHNOLOGY EXCHANGE. IN LATE 1992, THE TWO SIDES AGREED TO CO-DEVELOP A DUCTED ROCKET ENGINE FOR USE IN AIR-TO-AIR MISSILES. WE ARE ALSO EXPLORING SIMILAR PROGRAMS IN ADVANCED STEEL, CERAMIC ENGINES FOR FIGHTING VEHICLES. SHIP DEGAUSSING, AND DUAL MODE SEEKERS.

WE ARE NOT DEPENDENT ON JAPANESE TECHNOLOGY OR JAPANESE SOURCES OF SUPPLY FOR OUR WEAPONS SYSTEMS, ALTHOUGH WE MAY CHOOSE TO BUY FROM JAPANESE SUPPLIERS.

JAPAN: Host Nation Support

Q: Japan is widely seen as exemplary regarding the scope of its host nation support for the 47,000 U.S. forces based in Japan.

Nevertheless, there is a sense among several U.S. officials that Americans are, or are likely to become, less than fully satisfied with Japan's efforts.

Although Japan meets 75% of U.S. in-country costs, these officials argue that the decline of the Soviet threat means that burden-sharing of this type appears less relevant.

They believe that the current U.S. military presence in Japan may be seen as less needed, especially if the situation in Russia stabilizes in a favorable way for American interests and the threat from North Korea diminishes.

How do you view this situation?

A: WE BELIEVE THAT A CONTINUED U.S. MILITARY PRESENCE IN JAPAN IS ESSENTIAL TO MAINTAINING PEACE AND STABILITY IN EAST ASIA. WE EXPECT THAT THIS WILL REMAIN THE CASE, EVEN WITH THE COLLAPSE OF THE SOVIET UNION AND A SETTLEMENT ON THE KOREAN PENINSULA.

JAPAN AND THE U.S. HAVE A STRONG COMMON INTEREST IN THE PEACE AND STABILITY OF EAST ASIA AND JAPANESE SUPPORT FOR U.S. MILITARY FORCES STATIONED IN JAPAN IS ONE WAY OF PURSUING THIS INTEREST. THE GOVERNMENT OF JAPAN HAS BEEN GENEROUS IN PROVIDING HOST NATION SUPPORT (HNS). UNDER A HNS AGREEMENT CONCLUDED IN 1991, JAPAN AGREED TO FUND ALL APPROPRIATE YEN-BASED COSTS OF U.S. FORCES. THIS INCLUDES LOCAL LABOR COSTS AND UTILITIES. BY THE TIME THE AGREEMENT EXPIRES IN 1995, JAPAN WILL BE FUNDING OVER 70% OF TOTAL STATIONING COSTS, OR APPROXIMATELY \$4 BILLION PER YEAP.

JAPAN: Effects of Philippine Base Closure

Q: What impact has the U.S. withdrawal from the Philippine bases had on U.S. military operations in Japan?

Will it increase the costs and size of U.S. forces? If so, by how much?

A: THE LOSS OF SUBIC BAY WILL NOT RESULT IN A DECLINE IN OUR MILITARY CAPABILITY. THE ONLY IMPACT ON OUR ASIA-PACIFIC MILITARY "FOOTPRINT" WILL BE IN TERMS OF TRAINING AND LOGISTICS. OUR DEPARTURE FROM SUBIC WILL NOT RESULT IN A REDUCTION IN AFLOAT OPERATIONS BY THE SEVENTH FLEET OR SHRINKAGE IN THE NUMBER OF SHIPS OPERATING IN THE WESTERN PACIFIC.

THE CLOSURE OF U.S. BASES IN THE PHILIPPINES HAD A NEGLIGIBLE IMPACT ON THE COSTS AND SIZE OF U.S. FORCES IN JAPAN. APPROXIMATELY 1,000 POSITIONS WERE TRANSFERRED TO JAPAN. THE NUMBER OF SPACES US FORCES IN JAPAN WERE AUTHORIZED DID NOT CHANGE AS A RESULT OF THESE TRANSFERS.

A-1 (Political)

JAPAN: LDP Leadership

Q: The most powerful young leader (Ichiro Ozawa) of Japan's long-dominant Liberal Democratic Party (LDP) has warned that Prime Minister Kiichi Miyazawa could face a party revolt and loss of the party's governing majority if he fails to enact "real political reforms" by this summer.

-- Given that the LDP is already split into several factions, can you give an accurate assessment as to the possibility of a break up taking place. How weak is the leadership, and what can the U.S. expect?

A: ONGOING POLITICAL CORRUPTION SCANDALS COMBINED WITH A WEAK ECONOMY HAVE LED TO STRONG PUBLIC DISSATISFACTION WITH JAPAN'S POLITICAL LEADERSHIP. THE LDP HAS BEEN HURT BY THREE MAJOR ILLEGAL FUNDING SCANDALS IN FOUR YEARS, THE ARREST AND INDICTMENT OF PARTY KINGPIN SHIN KANEMARU IN MARCH ON TAX EVASION CHARGES, AND REPORTS OF TIES BETWEEN TOP PARTY FIGURES AND ORGANIZED CRIME ELEMENTS.

PRESSURES FOR POLITICAL REFORM ARE GROWING, BUT ALTHOUGH BOTH THE LDP AND THE OPPOSITION RECOGNIZE THE NEED FOR CHANGE, THERE IS NO AGREEMENT YET ON WHAT SPECIFIC ELECTORAL OF CAMPAIGN FINANCE CHANGES SHOULD BE MADE.

ONE MAJOR EFFECT OF THE SCANDALS THAT HAVE ROCKED THE LDP IS THE FRACTURING OF THE LDP'S FACTIONAL STRUCTURE. OZAWA AND FORMER FINANCE MINISTER HATA LED OVER 40 MEMBERS OUT OF THE TAKESHITA FACTION IN DECEMBER TO FORM THE NEW HATA FACTION. THE TAKESHITA FACTION, NOW LED BY KEIZO OBUCHI, RETAINS SOME OF THE LDP'S MOST POWERFUL FIGURES, BUT ITS DROP FROM LARGEST FACTION TO FOURTH IN SIZE HAS SIGNIFICANTLY REDUCED ITS CLOUT. THE WATANABE FACTION, THE LDP'S THIRD LARGEST, HAS BEEN WEAKENED BY WATANABE'S RESIGNATION AS FOREIGN MINISTER DUE TO DETERIORATING HEALTH.

THE TRADITIONAL OPPOSITION PARTIES HAVE NOT BENEFITTED SIGNIFICANTLY FROM THE DROP IN SUPPORT FOR THE LDP. SUPPORT FOR THE JAPAN SOCIALIST PARTY (JSP) HAS DECLINED TO LESS THAN 20 PER CENT, WITH THE PARTY IDEOLOGICALLY DIVIDED BETWEEN A HARDLINE LEFT WING AND MODERATE ELEMENTS. THE LONG TERM SUCCESS OF ANY NEW POLITICAL FORCES, E.G., THE HATA FACTION OF THE LDP OR THE NEW JAPAN PARTY, WILL DEPEND ON THEIR ABILITY TO RAISE CAMPAIGN FUNDS AND TO ARTICULATE A VISION TO ATTRACT THOSE DISAFFECTED WITH JAPANESE POLITICS BUT NOT YET PREPARED TO ABANDON A POLITICAL STRUCTURE THAT HAS LASTED FOR ALMOST 40 YEARS.

A-2 (Political)

JAPAN: Political Influence of Key Constituent Groups

Q: The Japanese government has had difficulty formulating policies or taking initiatives to deal with challenges posed by growing strains in U.S.-Japanese relations.

As the LDP finds itself with a weak leadership and uncertain public support, it may be more susceptible to pressure from key constituent groups (like farmers and small retailers who oppose concession to the the United States on agricultural imports and on opening up the distribution system) and less willing to adopt policies favored by the U.S.

-- How do you assess the amount of influence these groups have?

A: FARMERS, SMALL RETAILERS AND THE CONSTRUCTION INDUSTRY HAVE BEEN KEY SUPPORTERS OF THE LDP SINCE ITS FOUNDING IN 1955, AND THEIR SUPPORT HAS BEEN IN PART RESPONSIBLE FOR THE GOVERNMENT OF JAPAN'S SLOWNESS TO MOVE ON ECONOMIC ISSUES OF IMPORTANCE TO THE UNITED STATES, LIKE AGRICULTURAL IMPORTS AND CONSTRUCTION. THE RUN UP TO THE GENERAL ELECTION, WHICH MUST BE HELD BY FEBRUARY 1994, COULD MAKE IT MORE DIFFICULT FOR THE GOJ TO ADDRESS ECONOMIC ISSUES THAT HAVE STRONG DOMESTIC CONSTITUENCIES.

AT THE SAME TIME, POPULAR DISCONTENT WITH "BUSINESS AS USUAL" POLITICS, AND THE RISE OF NEW POLITICAL FORCES BOTH WITHIN THE LDP (THE HATA/OZAWA FACTION) AND OUTSIDE OF IT (THE NEW JAPAN PARTY) THAT ARE IDENTIFIED MORE WITH POLITICAL REFORM THAN WITH ECONOMIC INTEREST GROUPS, COULD MEAN THAT ECONOMIC CONSTITUENCIES WILL HAVE A LESS POWERFUL ROLE THAN IN THE PAST.

B-4 (Security)

JAPAN: Aid for "Strategic" Purposes

Q: Is Japan ready to use its aid program more directly for strategic purposes, and to condition aid eligibility on political and security concerns, including arms transfers and defense expenditures?

A: THROUGH THE 1980'S AND EARLY 1990'S, JAPAN BEGAN TO DEFINE ITS STRATEGIC INTERESTS MORE GLOBALLY, AND THAT CHANGING PERSPECTIVE HAS BEEN REFLECTED IN THE REGIONAL ALLOCATIONS OF JAPAN'S FOREIGN AID. THE SHARE OF JAPAN'S BILATERAL ASSISTANCE GOING TO EAST ASIA HAS DECLINED FROM 49% IN 1980 TO 34% IN 1991, AND OVER THAT PERIOD JAPAN GREATLY INCREASED ITS ASSISTANCE TO CENTRAL AMERICA, THE MIDDLE EAST AND AFRICA.

REFLECTING OUR SHARED PERSPECTIVES AND INTERESTS ON SECURITY ISSUES, JAPAN AND THE UNITED STATES HAVE WORKED TOGETHER CLOSELY ON ASSISTANCE EFFORTS FOR COUNTRIES OF SHARED STRATEGIC CONCERN, SUCH AS THE PHILIPPINES, CAMBODIA, MONGOLIA, AND THE COUNTRIES OF THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA.

IN ITS JUNE 1992 "OFFICIAL DEVELOPMENT ASSISTANCE (ODA) CHARTER," THE GOVERNMENT OF JAPAN ANNOUNCED THAT IT WOULD BEGIN EXPLICITLY LINKING ASSISTANCE TO RECIPIENT COUNTRIES' BEHAVIOR ON MILITARY EXPENDITURES, ARMS EXPORTS, AND DEVELOPMENT OF WEAPONS OF MASS DESTRUCTION, AS WELL AS ON DEMOCRATIZATION, RESPECT FOR HUMAN RIGHTS, AND THE ENVIRONMENT. THE GOVERNMENT OF JAPAN HAS STATED THE EMPHASIS WILL BE ON TRENDS WITHIN A GIVEN NATION RATHER THAN ON ANY ABSOLUTE OR INTERNATIONAL STANDARD. THE U.S. GOVERNMENT HAS WELCOMED THIS INCREASED CONDITIONALITY, WHICH LARGELY MIRRORS OUR OWN EFFORTS TO USE ASSISTANCE TO PROMOTE PEACE AND STABILITY IN THE DEVELOPING WORLD.

JAPAN HAS ALSO BEEN IN THE FOREFRONT OF EFFORTS IN THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC) OF THE OECD TO DRAW UP MULTILATERAL GUIDELINES LINKING AID TO RECIPIENT NATIONS' MILITARY EXPENDITURES.

C-5 (Economic)

JAPAN: Rechannelling Capital for LDCs

Q: To what degree can one expect Japan to rechannel its surplus towards capital-poor LDCs?

A: SINCE IT BEGAN RECORDING SIGNIFICANT GLOBAL CURRENT ACCOUNT SURPLUSES IN THE 1970'S, JAPAN HAS VIEWED PROVIDING OFFICIAL FUNDS TO THE DEVELOPING WORLD AS A PARTIAL MEANS OF RECYCLING THOSE SURPLUSES. SINCE THE LATE 1970'S, JAPAN HAS EMBARKED UPON THREE AID-DOUBLING PROGRAMS, THE MOST RECENT OF WHICH CALLED FOR AID DISBURSEMENTS OF \$50 BILLION IN 1988-92. THE GOVERNMENT OF JAPAN PLANS TO ANNOUNCE ITS MEDIUM TERM TARGET FOR 1993-97 THIS SUMMER, PERHAPS IN CONNECTION WITH THE G-7 SUMMIT IN TOKYO; PRESS REPORTS HAVE INDICATED THE FIVE YEAR TARGET COULD BE AS HIGH AS \$70-80 BILLION.

JAPAN HAS GONE FROM BEING THE FOURTH LARGEST AID DONOR IN THE LATE 1970'S TO RIVALING THE UNITED STATES AS THE LARGEST DONOR OF AID FOR THE PAST FEW YEARS. CURRENTLY THE U.S. AND JAPAN BOTH CONTRIBUTE ABOUT \$11 BILLION IN OFFICIAL DEVELOPMENT ASSISTANCE (ODA) EACH YEAR. THE RAPID GROWTH OF JAPAN'S AID PROGRAM, AND FISCAL CONSTRAINTS IN THE U.S., SUGGEST THAT JAPAN WILL FIRMLY ESTABLISH ITSELF AS THE LARGEST DONOR OF ODA IN THE COMING DECADE.

WHILE INCREASED ODA AND (NON-CONCESSIONAL) UNTIED JAPAN EXIMBANK FINANCING OFFER USEFUL SUPPORT TO DEVELOPING ECONOMIES, THE U.S. GOVERNMENT HAS STRESSED TO THE GOVERNMENT OF JAPAN THAT WE DO NOT VIEW THE RECYCLING OF JAPAN'S SURPLUSES AS ASSISTANCE AS AN ADEQUATE SUBSTITUTE FOR TAKING ACTIONS TO REDUCE JAPAN'S SURPLUSES.

C-16 (Economic)

JAPAN: Global Partnership with US in Asia

Q: What is the Japanese conception of the appropriate global partnership with the U.S. in East and Southeast Asia?

A: THE UNITED STATES AND JAPAN HAVE A FUNDAMENTAL IDENTITY OF INTERESTS IN NORTHEAST AND SOUTHEAST ASIA. WE BOTH SUPPORT PEACE, STABILITY, DEMOCRATIZATION, ECONOMIC GROWTH AND ENVIRONMENTAL CONSERVATION IN EAST ASIA. NOWHERE DO THE US AND JAPAN HAVE A MORE PRODUCTIVE PARTNERSHIP THAN IN EAST ASIA.

THE U.S. AND JAPAN BOTH REGARD THE U.S.-JAPAN SECURITY ALLIANCE AS FUNDAMENTAL TO BOTH OUR INTERESTS IN ASIA, AND BOTH SUPPORT THE CONTINUED PRESENCE OF U.S. FORCES IN ASIA. U.S. BASES IN JAPAN ARE ESSENTIAL TO U.S. FORWARD DEPLOYED STRATEGY IN EAST ASIA. ADDITIONALLY, JAPAN'S GENEROUS HOST NATION SUPPORT PAYMENTS OF CLOSE TO \$4 BILLION A YEAR MAKE IT MORE COST-EFFECTIVE TO STATION U.S. TROOPS IN JAPAN THAN ANYWHERE ELSE IN THE WORLD, INCLUDING THE UNITED STATES.

THE U.S.-JAPAN PARTNERSHIP IN EAST ASIA IS BASED ON FREE AND EQUITABLE TRADING RELATIONSHIPS IN THE PACIFIC REGION. THE UNITED STATES AND JAPAN ARE BOTH STRONG SUPPORTERS OF APEC (ASIA PACIFIC ECONOMIC COOPERATION) AS THE MOST APPROPRIATE FRAMEWORK FOR DISCUSSIONS OF REGIONAL ECONOMIC ISSUES; THE U.S. IS THE APEC CHAIR FOR 1992-93, AND JAPAN WILL BE THE APEC CHAIR IN 1994-95. ALTHOUGH THE UNITED STATES REMAINS THE LARGEST EXPORT MARKET FOR MOST EAST ASIAN COUNTRIES, JAPAN'S IMPORTS FROM THE REST OF EAST ASIA -- PARTICULARLY OF MANUFACTURED GOODS -- HAVE INCREASED SIGNIFICANTLY SINCE THE REVALUATION OF THE YEN IN THE MID-1980'S. JAPAN RUNS BILATERAL TRADE DEFICITS WITH SEVERAL LARGE EAST ASIAN ECONOMIES, E.G., CHINA, INDONESIA, AND AUSTRALIA. JAPAN IS THE LARGEST FOREIGN INVESTOR IN MOST EAST ASIAN COUNTRIES, BUT THE LEVEL OF NEW JAPANESE INVESTMENT IN ASIA DROPPED BY ALMOST 30% IN 1989-91, AS THE ECONOMIC SLOWDOWN IN JAPAN REDUCED JAPANESE FIRMS' INTEREST IN OVERSEAS INVESTMENT.

C-17 (Economic)

JAPAN: Greater Leadership Role in Development

Q: As the world's leading aid donor, is Japan fully prepared to assume a greater leadership role in international development initiatives?

-- How does Japan view its role as the virtual leading supplier of financial resources for the Third World?

A: THE NEAR TRIPLING OF JAPAN'S ANNUAL AID DISBURSEMENTS IN 1981-91 HAS PROPELLED JAPAN TO THE FRONT RANKS OF AID DONORS. JAPAN WAS THE LARGEST DONOR OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA) IN 1989, AND WAS A CLOSE SECOND TO THE UNITED STATES IN 1990 AND 1991. ANTICIPATED INCREASES IN JAPANESE ODA BUDGETS, AND FISCAL CONSTRAINTS IN THE UNITED STATES, SUGGEST THAT JAPAN WILL SOON REGAIN THE RANK OF LARGEST ODA DONOR IN THE YEARS TO COME (NOTE: ODA DOES NOT INCLUDE MILITARY ASSISTANCE OR PRIVATE SECTOR ASSISTANCE, TWO AREAS IN WHICH THE U.S. CONTRIBUTION IS CONSIDERABLY LARGER THAN THAT OF JAPAN, WHICH PROVIDES NO MILITARY ASSISTANCE AND HAS A RELATIVELY SMALL NETWORK OF PRIVATE SECTOR DEVELOPMENT ORGANIZATIONS).

AS ITS AID BUDGET HAS INCREASED, JAPAN HAS STRIVEN TO ASSUME A LEADERSHIP ROLE IN DEVELOPMENT INITIATIVES COMMENSURATE WITH THE SIZE OF ITS ODA BUDGET. IN 1992, JAPAN HOSTED ASSISTANCE COORDINATION CONFERENCES ON MONGOLIA, CAMBODIA, AND THE NEWLY INDEPENDENT STATES OF THE FORMER SOVIET UNION. IN MARCH OF THIS YEAR JAPAN HOSTED A MEETING IN TOKYO OF THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA. THIS APRIL JAPAN SERVED AS HOST FOR A CONFERENCE OF G-7 AND RUSSIAN FINANCE AND FOREIGN MINISTERS TO DISCUSS WAYS TO SUPPORT THE REFORM PROCESS IN RUSSIA. JAPAN IS CURRENTLY PLANNING FOR A MAJOR CONFERENCE ON AFRICAN DEVELOPMENT TO BE HELD IN TOKYO IN OCTOBER.

ON POLICY ISSUES, JAPAN HAS GENERALLY BEEN SUPPORTIVE OF THE INTERNATIONAL DONOR CONSENSUS AT THE WORLD BANK AND INTERNATIONAL MONETARY FUND, THE REGIONAL DEVELOPMENT BANKS, AND THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD. THE UNITED STATES AND JAPAN HAVE CLOSE BILATERAL COORDINATION OF AID POLICY, AND USG AND GOJ POLICYMAKERS MEET FOR ANNUAL INFORMAL DISCUSSIONS. JAPAN'S JUNE 1992 "ODA CHARTER" STATED THE GOVERNMENT OF JAPAN WOULD WORK TO ENSURE THAT JAPAN'S OWN DEVELOPMENT EXPERIENCE WAS TAKEN INTO ACCOUNT IN MULTILATERAL DEVELOPMENT FORA. THIS HAS BEEN INTERPRETED TO MEAN, IN PRACTICAL TERMS, THAT JAPAN WILL SUPPORT A SLOWER PACE OF STRUCTURAL ADJUSTMENT IN DEVELOPING COUNTRIES, WITH CLOSE PUBLIC-PRIVATE SECTOR COOPERATION, AND WILL CONTINUE TO SUPPORT EXTENDING ASSISTANCE ON A LOAN BASIS, WITH THE REPAYMENT OBLIGATION HELPING TO ENSURE THAT THE MONEY IS WISELY SPENT.

JAPAN: Host Nation Support

- Q: Why can't Japan provide more support for U.S. forces stationed in Japan?
- A: JAPAN AND THE U.S. HAVE A STRONG COMMON INTEREST IN THE PEACE AND STABILITY OF THE EAST ASIA-PACIFIC REGION AND JAPANESE SUPPORT FOR U.S. MILITARY FORCES STATIONED IN JAPAN IS ONE WAY OF PURSUING THIS INTEREST. THE GOVERNMENT OF JAPAN HAS BEEN GENEROUS IN PROVIDING HOST NATION SUPPORT (HNS).

UNDER A HNS AGREEMENT CONCLUDED IN 1991, JAPAN AGREED TO FUND ALL APPROPRIATE YEN-BASED COSTS OF U.S. FORCES. THIS INCLUDES LOCAL LABOR COSTS AND UTILITIES. BY THE TIME THE AGREEMENT EXPIRES IN 1995, JAPAN WILL BE FUNDING OVER 70% OF TOTAL STATIONING COSTS, OR APPROXIMATELY \$4 BILLION PER YEAR.

THIS HNS AGREEMENT MAKES IT CHEAPER FOR THE US GOVERNMENT TO STATION FORCES IN JAPAN THAN ANYWHERE ELSE IN THE WORLD, INCLUDING THE UNITED STATES.

Japan's Role in the G-7 Summit

Q: What role do we want Japan to play as G-7 host this year?

A: G-7 COORDINATION AIMED AT INCREASING GLOBAL ECONOMIC GROWTH IS A FUNDAMENTAL SUMMIT OBJECTIVE AND JAPAN, AS HOST OF THE TOKYO SUMMIT, WITH ITS HUGE TRADE SURPLUS AND WEAK DOMESTIC DEMAND, IS CLEARLY IN A POSITION TO MAKE A SUBSTANTIAL CONTRIBUTION TO ACHIEVE THIS OBJECTIVE.

JAPAN'S \$116 BILLION STIMULUS PACKAGE IS A GOOD FIRST STEP TOWARD PROMOTING DOMESTIC DEMAND-LED GROWTH BUT NEEDED IS A LONG TERM JAPANESE STRATEGY TO MAINTAIN ECONOMIC GROWTH AND REDUCE ITS TRADE IMBALANCES.

WE EXPECT SUMMIT LEADERS TO TAKE UP THE URUGUAY ROUND. JAPAN IS ONE OF THE MAJOR BENEFICIARIES OF THE FREE TRADE SYSTEM AND WE LOOK TO IT TO SUPPORT WORLD REFORM OF AGRICULTURAL TRADE BY OPENING ITS OWN RICE MARKET, AND TO BRING SERVICES, INCLUDING FINANCIAL SERVICES, INTO THE GATT REGIME.

ASSISTING POLITICAL AND ECONOMIC REFORM IN RUSSIA IS ALSO A KEY G-7 OBJECTIVE. JAPAN HAS CONTRIBUTED SUBSTANTIALLY TO THIS EFFORT, INCLUDING HOSTING A CONFERENCE IN APRIL OF G-7 FOREIGN AND FINANCE MINISTERS.

JAPAN HAS SOME VERY INTERESTING IDEAS TO DEAL WITH GLOBAL ENVIRONMENTAL AND ECONOMIC DEVELOPMENT PROBLEMS, AND THIS WILL BE ANOTHER AREA FOR DISCUSSION AT THE SUMMIT.

Managing US-Japan Economic Relations

- Q: In the aftermath of Prime Minister Miyazawa's visit, how will the US manage its economic relationship with Japan?
- A: DURING HIS MEETING WITH PRIME MINISTER MIYAZAWA, THE PRESIDENT CALLED ON JAPAN TO OPEN ITS MARKETS AND SAID THAT WE WILL BE LOOKING FOR MEASURABLE PROGRESS IN MARKET ACCESS. THE PRESIDENT AND PRIME MINISTER ALSO AGREED TO DEVELOP, WITHIN THE NEXT THREE MONTHS, A PLAN FOR ADDRESSING BOTH STRUCTURAL AND SECTORAL TRADE ISSUES AND FOR FURTHERING COOPERATION ON GLOBAL ISSUES SUCH AS TECHNOLOGY AND THE ENVIRONMENT.

THE PRESIDENT WELCOMED JAPAN'S \$116 BILLION STIMULUS PACKAGE AS A GOOD FIRST STEP TOWARD PROMOTING DOMESTIC DEMAND-LED GROWTH BUT CALLED FOR A LONG TERM STRATEGY BY JAPAN TO MAINTAIN ECONOMIC GROWTH AND REDUCE ITS TRADE IMBALANCES.

FINALLY, THE PRESIDENT MADE CLEAR THAT WE WILL ALSO DO OUR PART BY IMPROVING U.S. ECONOMIC COMPETITIVENESS. THE DEPARTMENT AND ITS OVERSEAS MISSIONS WILL ACTIVELY SUPPORT U.S. FIRMS IN THEIR EFFORTS TO PENETRATE FOREIGN MARKETS.

Background

Japan's global current account surplus (goods, services, transfers) rose to \$118 billion in 1992, a 61% increase over 1991. Our bilateral trade deficit was \$49 billion in 1992, down from its 1987 peak of \$57 billion but a 12% increase over the \$43 billion 1991 figure.

JAPAN: US-Japan Coordination on Aid to Asia

Q: Now that Japan gives so much assistance to Asia, shouldn't the US coordinate its aid programs with those of Japan more?

A: THE US AND JAPAN HAVE EXTENSIVE COORDINATION OF OUR ASSISTANCE EFFORTS FOR ASIA. I AND OTHER SENIOR STATE DEPARTMENT OFFICIALS MEET REGULARLY WITH OUR JAPANESE COUNTERPARTS TO DISCUSS ASIAN ISSUES OF COMMON CONCERN, AND HOW WE CAN USE OUR ASSISTANCE TO PROMOTE OUR SHARED GOALS. SENIOR AID OFFICIALS ALSO MEET REGULARLY WITH THEIR JAPANESE COUNTERPARTS TO DISCUSS THESE ISSUES.

THE US AND JAPAN HAVE TAKEN THE LEAD IN PROVIDING ASSISTANCE TO ECONOMIC AND POLITICAL REFORM EFFORTS IN EAST ASIA. WE ARE THE TWO LARGEST DONORS TO THE PHILIPPINES, TO CAMBODIA AND TO MONGOLIA.

JAPAN ANNOUNCED ITS "OFFICIAL DEVELOPMENT ASSISTANCE CHARTER" IN JUNE 1992, WHICH STATED THAT JAPAN WILL START TO LINK ITS ASSISTANCE TO RECIPIENT NATION BEHAVIOR ON THE ENVIRONMENT, DEMOCRATIZATION AND HUMAN RIGHTS, MARKET ECONOMICS, AND MILITARY EXPENDITURE AND THE DEVELOPMENT OF WEAPONS OF MASS DESTRUCTION. WE WELCOME THE INTRODUCTION OF THE CHARTER, AND THINK IT WILL BE A USEFUL MEANS OF PROMOTING THE DEMOCRACY AND PROSPERITY WE AND JAPAN SUPPORT IN ASIA.

LIKE US, JAPAN SUSPENDED NEW ASSISTANCE TO BURMA AFTER THE MILITARY CRACKDOWN IN 1988.

Background

While the US and Japan each give about \$10 billion of development assistance per year, usually over 40 per cent of the Japanese total goes to East Asia and Oceania, while less than 10 per cent of US assistance goes to East Asia and Oceania.

JAPAN: Japanese Aid to Asia

Q: Why can't Japan provide more assistance to the Asia-Pacific region? Isn't Japanese aid just a disguised export promotion arrangement?

A: JAPAN IS THE LARGEST DONOR OF ASSISTANCE TO MOST OF THE COUNTRIES IN THE ASIA PACIFIC REGION. FOR CHINA AND THE FOUR LARGE ASEAN COUNTRIES, JAPAN GIVES OVER HALF OF ALL DEVELOPMENT ASSISTANCE RECEIVED BY THOSE COUNTRIES.

WHILE JAPANESE AID USED TO BE TIED TO PROCUREMENT FROM JAPAN, WE AND OTHER DONORS HAVE URGED JAPAN TO UNTIE ITS AID, AND JAPAN HAS COMMITTED TO DOING SO. JAPANESE GOVERNMENT STATISTICS INDICATE THAT EIGHT PER CENT OF JAPANESE AID PROCUREMENT WENT TO US FIRMS IN 1991. WE HAVE NO WAY OF CONFIRMING THESE STATISTICS, BUT KNOW THAT U.S. FIRMS ARE HAVING INCREASING SUCCESS SELLING TO JAPAN'S AID PROGRAMS.

WE WELCOME THE GOVERNMENT OF JAPAN'S EFFORTS TO OPEN ITS AID PROCUREMENT TO COMPETITIVE AMERICAN SUPPLIERS. THIS BENEFITS THE U.S. ECONOMY, AND ALSO BENEFITS THE RECIPIENT NATION, WHICH CAN OBTAIN THE BEST PRODUCT OR SERVICE FOR THE BEST PRICE.

FRAMEWORK STATUS

Question: What is the status of the U.S.-Japan Framework negotiations? What are the next steps in dealing with Japan on resolving problems in our economic relationship?

Answer

- o As you know, the President and Prime Minister Miyazawa agreed to a U.S.-Japan Framework for a new Economic Partnership on July 10 in Tokyo. This Framework is a structure under which future trade talks between the U.S. and Japan will occur. The first bilateral working groups will meet as soon as possible to begin working out the first agreements under the Framework.
- o The President and Prime Minister agreed that within six months we will have market access agreements in autos, insurance and government procurement of computers, supercomputers, satellites, medical technology and telecommunications. Within a year we will have agreements in all the other areas covered under the Framework, including financial services and reform of the distribution system in Japan.
- o The President and Prime Minister will meet twice a year to review agreements which are reached under the Framework and to review progress on broader issues such as Japan's commitment to significantly reduce its current account surplus and a significant increase in its imports of goods and services.

U.S. DEFICIT REDUCTION

Question: Has the U.S. made a commitment in the Framework on reducing its budget deficit? What happens if we don't meet the target?

Answer

- o We have agreed to actively pursue as a medium-term objective a substantial reduction in our fiscal deficit. We have not committed to meet specific targets.

INCREASED IMPORTS OF MANUFACTURED PRODUCTS

Question: What is the economic justification behind asking Japan to increase its imports of manufactured products as a share of GNP? Import decisions on manufactured goods are made by private companies, not the government. By asking the Japanese Government to become involved in company-to-company decisions, are you not encouraging more, rather than less, GOJ interference in its private sector?

Answer

- o Japan has agreed to take measures that should have the effect of promoting a significant increase of global imports of goods and services, including those from the United States. We and the Japanese will be discussing difficulties encountered by all foreign competition trying to enter any market in Japan, whether it is a manufactured product or a service.
- o Japan imports a much lower percentage of manufactured products as a percentage of GDP than do its major, industrialized trading partners. We view this low import rate as symptomatic of a Japanese reluctance to open up its buyer-supplier relationships to foreign competition, as well as indicative of a government preference to purchase Japanese goods.
- o In order to encourage more two-way trade of manufactured goods, and put Japan more in step with its trading partners, we asked Japan to increase its imports of manufactured goods. The Government of Japan does play a strong role in the economy, both directly and indirectly. If the Japanese Government takes the lead in procuring more foreign-made manufactured goods, we believe that its actions will encourage the private sector to follow suit.

SII COMMITMENTS

Question: What has happened to the commitments the GOJ made in the Strategic Impediments Initiative (SII)? Does the GOJ still have to honor them?

Answer

- o The previous commitments under SII will be absorbed into the basket on implementation of existing agreements while new issues on some SII subjects will be raised in various baskets. For example, distribution problems will be raised in the basket on regulatory reform.

COMPLIANCE

Question: We are monitoring progress on our government-to-government agreements through consultations under the agreements and in other fora, such as trade committee. What are you proposing in the "compliance" area? Will all sectoral efforts under Market-Oriented Sector-Specific (MOSS) and other agreements become subsumed under the Framework?

Answer

- o This Framework is a structure under which future trade talks between the U.S. and Japan will occur. We have agreed to a new, integrated mechanism for negotiations that cover macroeconomic, structural and sectoral issues.
- o Where appropriate, we intend to integrate existing elements of our trade mechanisms (such as MOSS) into our new framework structure. In this manner we hope to take advantage of existing structures and expertise. The objective will be to better coordinate all our activities in various areas. The first bilateral working groups will meet as soon as possible to begin working out the first agreements under the Framework.
- o We regard compliance with existing agreements as important both in and out of the overall framework. Both governments and industries will continue to monitor compliance closely.

DEFINING PROGRESS

Question: In its original proposal, the USG said it will maintain open markets for trade and investment "so long as there is progress towards more open trade policies, including under the Framework." How do you define "progress?" What is your timetable? What will the U.S. do if it is unsatisfied with "progress" within the period it has defined? Why has that language dropped out of the current draft?

Answer

- o This Framework focuses on results. The precise quantitative indicators will be worked out in the negotiations on each basket, but we are not excluding any particular quantitative indicators.
- o Our idea would not be to focus on any single number for any given market. Instead, we will be looking at a range of criteria or benchmarks for every sector or structural problem. Our assessment of results would be based on a critical mass of progress across all benchmarks.
- o Compliance with existing agreements is something we will continue to monitor closely as we proceed. We will expect progress in market access for autos, insurance and government procurement within six months.
- o I believe that both our government and the Japanese are interested now in resolving problems so as to increase trade and the benefits to both countries and the world trading system. If we encounter difficulties we will address the situation.

BENCHMARKS

Question: In the sector/structural areas, the U.S. proposes that "multiple benchmarks will be established to monitor progress." What form will these benchmarks take? What will the U.S. do if it is unsatisfied with progress in a sector as defined by benchmarks?

Answer

- o We're not proposing to use a single number in any of the markets covered here, but rather multiple indicators, both qualitative and quantitative.
- o The use of any of these indicators is not meant as the end-goal of these talks, but simply as a way to ensure that real progress in eliminating barriers has been made, not just removal of non-essential government regulations that have no practical effect on foreign access to the Japanese market.
- o As to examples of indicators, these could include market share for total foreign goods in Japan compared to other foreign markets. That kind of comparison is one way to gauge whether a given country's markets are relatively open or not. Other typical indicators that could also be used include, for example, the number of bids awarded to foreign firms or the number of new joint ventures. We will also be carefully following changes in government rules and regulations that would eliminate non-tariff barriers in markets.
- o To sum up, our idea would not be to focus on any single number for any given market. Instead, we will be looking at a range of criteria or benchmarks for every sector or structural problem. Our assessment of results would be based on a critical mass of progress across all benchmarks.

BENCHMARKS AS MANAGED TRADE

Question: Don't your benchmarks under the Framework amount to managed trade?

Answer

- o The Administration's intent is not to manage trade but to open markets for expanded trade.
- o This framework agreement most emphatically does not impose a managed trade approach. The Administration's concerns are concentrated on sectors or structural areas already under management by the Japanese government. By promising to unlock Japan's government procurement and other government policies and regulations, it opens up trade. It brings more, not less, market discipline on trade.
- o The Administration's view is that there is no reason that numerical indicators should not be part of an agreement like this. The framework calls for tangible progress and measurements are necessary to assess this progress. The Administration's position is not to focus on any single number for any given markets. Instead, we will be looking at a range of criteria or benchmarks for every sector or structural problem. The use of any of these indicators is not meant as the end-goal of these talks, but simply as a way to ensure that real progress in eliminating barriers has been made.

SECTION 301

Question: What happens to Section 301 of the Trade Act under the Framework? Will the USG agree not to self-initiate any Section 301 cases during the Framework negotiations? Will the USG be willing to accept and take action on any 301 petitions filed by U.S. firms?

Answer

- o The Framework agreement in no way reduces either countries's ability to utilize relevant international agreements or national laws. Section 301 of the Trade Act is domestic law and that won't be changed.
- o We do believe that the Framework should be the primary means of resolving certain bilateral issues between Japan and the United States. However, the Framework agreement will not preclude any U.S. firm from seeking remedies under current U.S. trade law.

PROCUREMENT VS BUY AMERICA

Question: By discussing procurement aren't you opening the door to GOJ pressure for the U.S. to get rid of Buy America?

Answer

- o We will discuss Japanese government procurement, with the aim of reaching agreements that should significantly expand Japanese government procurement of competitive foreign goods and services, especially computers, supercomputers, satellites, medical technology and telecommunications. (Discussion of public works/construction will take place in separate negotiations outside the Framework.)
- o In the Framework, we reconfirmed that it is the policy of the U.S. Government to provide non-discriminatory, transparent, fair and open opportunities consistent with its obligations under the GATT Agreement on Government Procurement. We have agreed to consult with the Government of Japan upon request concerning such policies, and areas of particular interest.
- o There is no reciprocity on this issue implied under the Framework. Within existing U.S. law, we will continue to maintain fair and open opportunities for competitive procurement on our part.

AUTOS/AUTO PARTS

Question: Why are autos and auto parts included as part of the Framework? Trade in this sector is determined by competitive factors. Aren't you asking for managed trade?

Answer

- o Trade in autos and auto parts constitutes the single biggest component of our bilateral trade deficit with Japan. We believe U.S. industry makes world class products at competitive price.
- o We believe that specific attention to this sector can result in progress, such as more purchases of U.S. auto parts by Japanese firms, more design-in arrangements involving U.S. firms, resolution of standards and certification issues that can impede access to the Japanese market, and efforts to overcome access problems that will promote more sales of U.S.-made autos in Japan.
- o We seek a fair, not a managed trade, in autos and auto parts.

REGULATORY REFORM

Question: Does not the same hold true for regulatory issues? That is, is the U.S. prepared to have U.S. regulations examined alongside Japanese regulations? Will the USG also commit to making regulatory changes requested by Japanese companies in areas such as insurance?

Answer

- o We do not intend to engage in reciprocal discussions in every area under negotiation. The central problem we are addressing is barriers to trade and investment in Japan.
- o However, the U.S. welcomes foreign trade and investment. If a foreign firm encounters difficulties here due to perceived regulatory problems, it should feel free to contact our government representatives to discuss the situation.

KEIRETSU

Question: Are you trying to make Japan's economic structure identical to the U.S.? Are you trying to get rid of keiretsu, or get U.S. firms into keiretsu?

Answer

- o We are trying to overcome barriers and ensure that American firms get a fair chance to compete in Japan. We are not trying to make Japan's economic structure identical to our own.
- o The economies of Japan and the United States, as with all other countries, each operate in a slightly different manner.
 - In Japan, for instance, the government has historically played a more central role in economic development and everyday operations. While the trend is clearly toward less government intervention in Japan, there are still vestiges of government control. These include excessive regulations and non-transparent government-business relations.
 - To the extent that such characteristics serve as barriers to U.S. exports and investment, they should certainly be eliminated. The Administration plans to use the framework negotiations to address both sectoral and structural barriers to trade.

GLOBAL COOPERATION

Question: What are the areas for possible "global cooperation" with Japan under the Framework? Will we be trading off U.S. economic interests for other interests, such as the environment?

Answer

- o Global cooperation with Japan is intended to build new cooperative relations and contribute to the development of the world economy. It is one of the key elements in establishing with the Japanese a constructive global partnership.
- o We plan to discuss cooperation in the following areas: environment, technology, development of human resources, population and AIDS.

A-2 (Political)

JAPAN: Political Influence of Key Constituent Groups

Q: The Japanese government has had difficulty formulating policies or taking initiatives to deal with challenges posed by growing strains in U.S.-Japanese relations.

As the LDP finds itself with a weak leadership and uncertain public support, it may be more susceptible to pressure from key constituent groups (like farmers and small retailers who oppose concession to the the United States on agricultural imports and on opening up the distribution system) and less willing to adopt policies favored by the U.S.

-- How do you assess the amount of influence these groups have?

A: FARMERS, SMALL RETAILERS AND THE CONSTRUCTION INDUSTRY HAVE BEEN KEY SUPPORTERS OF THE LDP SINCE ITS FOUNDING IN 1955, AND THEIR SUPPORT HAS BEEN IN PART RESPONSIBLE FOR THE GOVERNMENT OF JAPAN'S SLOWNESS TO MOVE ON ECONOMIC ISSUES OF IMPORTANCE TO THE UNITED STATES, LIKE AGRICULTURAL IMPORTS, THE DISTRIBUTION SYSTEM, AND CONSTRUCTION.

STRONG PUBLIC DISSATISFACTION WITH JAPAN'S POLITICAL LEADERSHIP, REFLECTED IN LOW LEVELS OF SUPPORT FOR PRIME MINISTER MIYAZAWA PERSONALLY AND FOR THE LDP, COULD STRENGTHEN THE HAND OF THE LDP'S CORE CONSTITUENCIES, PARTICULARLY IN THE RUN-UP TO THE GENERAL ELECTION THAT MUST BE HELD BY FEBRUARY 1994. THIS COULD MAKE IT DIFFICULT TO REACH A RESOLUTION OF BILATERAL ECONOMIC FRICTIONS OR TO OBTAIN JAPAN'S SUPPORT TO CONCLUDE THE URUGUAY ROUND OF THE GATT.

AT THE SAME TIME, POPULAR DISCONTENT WITH "BUSINESS AS USUAL" POLITICS, AND THE RISE OF NEW POLITICAL FORCES BOTH WITHIN THE LDP (THE HATA/OZAWA FACTION) AND OUTSIDE OF IT (THE NEW JAPAN PARTY) THAT ARE IDENTIFIED MORE WITH POLITICAL REFORM THAN WITH ECONOMIC INTEREST GROUPS, COULD MEAN THAT ECONOMIC CONSTITUENCIES WILL HAVE A LESS POWERFUL ROLE THAN IN THE PAST.

B-4 (Security)

JAPAN: Aid for "Strategic" Purposes

Q: Is Japan ready to use its aid program more directly for strategic purposes, and to condition aid eligibility on political and security concerns, including arms transfers and defense expenditures?

A: THROUGH THE 1980'S AND EARLY 1990'S, JAPAN BEGAN TO DEFINE ITS STRATEGIC INTERESTS MORE GLOBALLY, AND THAT CHANGING PERSPECTIVE HAS BEEN REFLECTED IN THE REGIONAL ALLOCATIONS OF JAPAN'S FOREIGN AID. THE SHARE OF JAPAN'S BILATERAL ASSISTANCE GOING TO EAST ASIA HAS DECLINED FROM 49% IN 1980 TO 34% IN 1991, AND OVER THAT PERIOD JAPAN GREATLY INCREASED ITS ASSISTANCE TO CENTRAL AMERICA, THE MIDDLE EAST AND AFRICA.

REFLECTING OUR SHARED PERSPECTIVES AND INTERESTS ON SECURITY ISSUES, JAPAN AND THE UNITED STATES HAVE WORKED TOGETHER CLOSELY ON ASSISTANCE EFFORTS FOR COUNTRIES OF SHARED STRATEGIC CONCERN, SUCH AS THE PHILIPPINES, CAMBODIA, MONGOLIA, AND THE COUNTRIES OF THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA.

IN ITS JUNE 1992 "OFFICIAL DEVELOPMENT ASSISTANCE (ODA) CHARTER," THE GOVERNMENT OF JAPAN ANNOUNCED THAT IT WOULD BEGIN EXPLICITLY LINKING ASSISTANCE TO RECIPIENT COUNTRIES' BEHAVIOR ON MILITARY EXPENDITURES, ARMS EXPORTS, AND DEVELOPMENT OF WEAPONS OF MASS DESTRUCTION, AS WELL AS ON DEMOCRATIZATION, RESPECT FOR HUMAN RIGHTS, AND THE ENVIRONMENT. THE GOVERNMENT OF JAPAN HAS STATED THE EMPHASIS WILL BE ON TRENDS WITHIN A GIVEN NATION RATHER THAN ON ANY ABSOLUTE OR INTERNATIONAL STANDARD. THE U.S. GOVERNMENT HAS WELCOMED THIS INCREASED CONDITIONALITY, WHICH LARGELY MIRRORS OUR OWN EFFORTS TO USE ASSISTANCE TO PROMOTE PEACE AND STABILITY IN THE DEVELOPING WORLD.

JAPAN HAS ALSO BEEN IN THE FOREFRONT OF EFFORTS IN THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC) OF THE OECD TO DRAW UP MULTILATERAL GUIDELINES LINKING AID TO RECIPIENT NATIONS' MILITARY EXPENDITURES.

C-5 (Economic)

JAPAN: Rechannelling Capital for LDCs

Q: To what degree can one expect Japan to rechannel its surplus towards capital-poor LDCs?

A: SINCE IT BEGAN RECORDING SIGNIFICANT GLOBAL CURRENT ACCOUNT SURPLUSES IN THE 1970'S, JAPAN HAS VIEWED PROVIDING OFFICIAL FUNDS TO THE DEVELOPING WORLD AS A PARTIAL MEANS OF RECYCLING THOSE SURPLUSES. SINCE THE LATE 1970'S, JAPAN HAS EMBARKED UPON THREE AID-DOUBLING PROGRAMS, THE MOST RECENT OF WHICH CALLED FOR AID DISBURSEMENTS OF \$50 BILLION IN 1988-92. THE GOVERNMENT OF JAPAN PLANS TO ANNOUNCE ITS MEDIUM TERM TARGET FOR 1993-97 THIS SUMMER, PERHAPS IN CONNECTION WITH THE G-7 SUMMIT IN TOKYO; PRESS REPORTS HAVE INDICATED THE FIVE YEAR TARGET COULD BE AS HIGH AS \$70-80 BILLION.

JAPAN HAS GONE FROM BEING THE FOURTH LARGEST AID DONOR IN THE LATE 1970'S TO RIVALLING THE UNITED STATES AS THE LARGEST DONOR OF AID FOR THE PAST FEW YEARS. CURRENTLY THE U.S. AND JAPAN BOTH CONTRIBUTE ABOUT \$10 BILLION IN OFFICIAL DEVELOPMENT ASSISTANCE (ODA) EACH YEAR. THE RAPID GROWTH OF JAPAN'S AID PROGRAM, AND FISCAL CONSTRAINTS IN THE U.S., SUGGEST THAT JAPAN WILL FIRMLY ESTABLISH ITSELF AS THE LARGEST DONOR OF ODA IN THE COMING DECADE.

WHILE INCREASED ODA AND (NON-CONCESSIONAL) UNTIES JAPAN EXIMBANK FINANCING OFFER USEFUL SUPPORT TO DEVELOPING ECONOMIES, THE U.S. GOVERNMENT HAS STRESSED TO THE GOVERNMENT OF JAPAN THAT WE DO NOT VIEW THE RECYCLING OF JAPAN'S SURPLUSES AS ASSISTANCE AS AN ADEQUATE SUBSTITUTE FOR TAKING ACTIONS TO REDUCE JAPAN'S SURPLUSES.

C-16 (Economic)

JAPAN: Global Partnership with US in Asia

Q: What is the Japanese conception of the appropriate global partnership with the U.S. in East and Southeast Asia?

A: THE UNITED STATES AND JAPAN HAVE A FUNDAMENTAL IDENTITY OF INTERESTS IN NORTHEAST AND SOUTHEAST ASIA. WE BOTH SUPPORT PEACE, STABILITY, DEMOCRATIZATION, ECONOMIC GROWTH AND ENVIRONMENTAL CONSERVATION IN EAST ASIA. NOWHERE DO THE US AND JAPAN HAVE A MORE PRODUCTIVE PARTNERSHIP THAN IN EAST ASIA.

THE U.S. AND JAPAN BOTH REGARD THE U.S.-JAPAN SECURITY ALLIANCE AS FUNDAMENTAL TO BOTH OUR INTERESTS IN ASIA, AND BOTH SUPPORT THE CONTINUED PRESENCE OF U.S. FORCES IN ASIA. U.S. BASES IN JAPAN ARE ESSENTIAL TO U.S. FORWARD DEPLOYED STRATEGY IN EAST ASIA. ADDITIONALLY, JAPAN'S GENEROUS HOST NATION SUPPORT PAYMENTS OF CLOSE TO \$4 BILLION A YEAR MAKE IT MORE COST-EFFECTIVE TO STATION U.S. TROOPS IN JAPAN THAN ANYWHERE ELSE IN THE WORLD, INCLUDING THE UNITED STATES.

THE U.S.-JAPAN PARTNERSHIP IN EAST ASIA IS BASED ON FREE AND EQUITABLE TRADING RELATIONSHIPS IN THE PACIFIC REGION. THE UNITED STATES AND JAPAN ARE BOTH STRONG SUPPORTERS OF APEC (ASIA PACIFIC ECONOMIC COOPERATION) AS THE MOST APPROPRIATE FRAMEWORK FOR DISCUSSIONS OF REGIONAL ECONOMIC ISSUES; THE U.S. IS THE APEC CHAIR FOR 1992-93, AND JAPAN WILL BE THE APEC CHAIR IN 1994-95. ALTHOUGH THE UNITED STATES REMAINS THE LARGEST EXPORT MARKET FOR MOST EAST ASIAN COUNTRIES, JAPAN'S IMPORTS FROM THE REST OF EAST ASIA -- PARTICULARLY OF MANUFACTURED GOODS -- HAVE INCREASED SIGNIFICANTLY SINCE THE REVALUATION OF THE YEN IN THE MID-1980'S. JAPAN RUNS BILATERAL TRADE DEFICITS WITH SEVERAL LARGE EAST ASIAN ECONOMIES, E.G. CHINA, INDONESIA, AND AUSTRALIA. JAPAN IS THE LARGEST FOREIGN INVESTOR IN MOST EAST ASIAN COUNTRIES, BUT THE LEVEL OF NEW JAPANESE INVESTMENT IN ASIA DROPPED BY ALMOST 30% IN 1989-91, AS THE ECONOMIC SLOWDOWN IN JAPAN REDUCED JAPANESE FIRMS' INTEREST IN OVERSEAS INVESTMENT.

C-17 (Economic)

JAPAN: Greater Leadership Role in Development

Q: As the world's leading aid donor, is Japan fully prepared to assume a greater leadership role in international development initiatives?

-- How does Japan view its role as the virtual leading supplier of financial resources for the Third World?

A: THE NEAR TRIPLING OF JAPAN'S ANNUAL AID DISBURSEMENTS IN 1981-91 HAS PROPELLED JAPAN TO THE FRONT RANKS OF AID DONORS. JAPAN WAS THE LARGEST DONOR OF OFFICIAL DEVELOPMENT ASSISTANCE (ODA) IN 1989, AND WAS A CLOSE SECOND TO THE UNITED STATES IN 1990 AND 1991. ANTICIPATED INCREASES IN JAPANESE ODA BUDGETS, AND FISCAL CONSTRAINTS IN THE UNITED STATES, SUGGEST THAT JAPAN WILL SOON REGAIN THE RANK OF LARGEST ODA DONOR IN THE YEARS TO COME (NOTE: ODA DOES NOT INCLUDE MILITARY ASSISTANCE OR PRIVATE SECTOR ASSISTANCE, TWO AREAS IN WHICH THE U.S. CONTRIBUTION IS CONSIDERABLY LARGER THAN THAT OF JAPAN, WHICH PROVIDES NO MILITARY ASSISTANCE AND HAS A RELATIVELY SMALL NETWORK OF PRIVATE SECTOR DEVELOPMENT ORGANIZATIONS).

AS ITS AID BUDGET HAS INCREASED, JAPAN HAS STRIVEN TO ASSUME A LEADERSHIP ROLE IN DEVELOPMENT INITIATIVES COMMENSURATE WITH THE SIZE OF ITS ODA BUDGET. IN 1992, JAPAN HOSTED ASSISTANCE COORDINATION CONFERENCES ON MONGOLIA, CAMBODIA, AND THE NEWLY INDEPENDENT STATES OF THE FORMER SOVIET UNION. IN MARCH OF THIS YEAR JAPAN HOSTED A MEETING IN TOKYO OF THE PARTNERSHIP FOR DEMOCRACY AND DEVELOPMENT IN CENTRAL AMERICA. THIS APRIL JAPAN, AS G-7 HOST, SERVED AS HOST FOR A CONFERENCE OF G-7 AND RUSSIAN FINANCE AND FOREIGN MINISTERS TO DISCUSS WAYS TO SUPPORT THE REFORM PROCESS IN RUSSIA. JAPAN IS CURRENTLY PLANNING FOR A MAJOR CONFERENCE ON AFRICAN DEVELOPMENT TO BE HELD IN TOKYO IN OCTOBER.

ON POLICY ISSUES, JAPAN HAS GENERALLY BEEN SUPPORTIVE OF THE INTERNATIONAL DONOR CONSENSUS AT THE WORLD BANK AND INTERNATIONAL MONETARY FUND, THE REGIONAL DEVELOPMENT BANKS, AND THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD. THE UNITED STATES AND JAPAN HAVE CLOSE BILATERAL COORDINATION OF AID POLICY, AND USG AND GOJ POLICYMAKERS MEET FOR ANNUAL INFORMAL DISCUSSIONS. JAPAN'S JUNE 1992 "ODA CHARTER" STATED THE GOVERNMENT OF JAPAN WOULD WORK TO ENSURE THAT JAPAN'S OWN DEVELOPMENT EXPERIENCE WAS TAKEN INTO ACCOUNT IN MULTILATERAL DEVELOPMENT FORA. THIS HAS BEEN INTERPRETED TO MEAN, IN PRACTICAL TERMS, THAT JAPAN WILL SUPPORT A SLOWER PACE OF STRUCTURAL ADJUSTMENT IN DEVELOPING COUNTRIES, WITH CLOSE PUBLIC-PRIVATE SECTOR COOPERATION, AND WILL CONTINUE TO SUPPORT EXTENDING ASSISTANCE ON A LOAN BASIS, WITH THE REPAYMENT OBLIGATION HELPING TO ENSURE THAT THE MONEY IS WISELY SPENT.

JAPAN: Host Nation Support

Q: Japan is widely seen as exemplary regarding the scope of its host nation support for the 47,000 U.S. forces based in Japan.

Nevertheless, there is a sense among several U.S. officials that Americans are, or are likely to become, less than fully satisfied with Japan's efforts.

Although Japan meets 75% of U.S. in-country costs, these officials argue that the decline of the Soviet threat means that burden-sharing of this type appears less relevant.

They believe that the current U.S. military presence in Japan may be seen as less needed, especially if the situation in Russia stabilizes in a favorable way for American interests and the threat from North Korea diminishes.

How do you view this situation?

A: WE BELIEVE THAT A CONTINUED U.S. MILITARY PRESENCE IN JAPAN IS ESSENTIAL TO MAINTAINING PEACE AND STABILITY IN EAST ASIA. WE EXPECT THAT THIS WILL REMAIN THE CASE, EVEN WITH THE COLLAPSE OF THE SOVIET UNION AND A SETTLEMENT ON THE KOREAN PENINSULA.

JAPAN AND THE U.S. HAVE A STRONG COMMON INTEREST IN THE PEACE AND STABILITY OF EAST ASIA AND JAPANESE SUPPORT FOR U.S. MILITARY FORCES STATIONED IN JAPAN IS ONE WAY OF PURSUING THIS INTEREST. THE GOVERNMENT OF JAPAN HAS BEEN GENEROUS IN PROVIDING HOST NATION SUPPORT (HNS). UNDER A HNS AGREEMENT CONCLUDED IN 1991, JAPAN AGREED TO FUND ALL APPROPRIATE YEN-BASED COSTS OF U.S. FORCES. THIS INCLUDES LOCAL LABOR COSTS AND UTILITIES. BY THE TIME THE AGREEMENT EXPIRES IN 1995, JAPAN WILL BE FUNDING OVER 70% OF TOTAL STATIONING COSTS, OR APPROXIMATELY \$4 BILLION PER YEAR.

Q: How might the U.S. and Japan come to a better understanding of mutual concerns with whaling and fisheries such that potential trade disputes, including GATT conflicts, are avoided?

A: IN OUR VIEW, CLOSE CONSULTATIONS ARE THE BEST MEANS TO ENSURE CONTINUED STRONG US-JAPAN RELATIONS IN THE AREAS OF FISHERIES AND WHALING. FOR THIS REASON, OUR TWO GOVERNMENTS AGREED LAST YEAR TO ESTABLISH A NEW US-JAPAN CONSULTATIVE COMMITTEE ON FISHERIES TO FACILITATE REGULAR DISCUSSIONS ON THE FULL RANGE OF CURRENT AND FUTURE ISSUES THAT AFFECT BOTH COUNTRIES. THE FIRST MEETING WAS HELD IN NOVEMBER 19-20, 1992. WE ALSO CONTINUE TO CONSULT REGULARLY IN AND AROUND OTHER INTERNATIONAL MEETINGS.

SUCH CLOSE COLLABORATION HAS BEEN PRODUCTIVE, AS IS EVIDENT BY JAPAN'S RECENT DECISIONS TO END LARGE-SCALE HIGH SEAS DRIFTNET FISHING AND HIGH SEAS SALMON FISHING IN THE NORTH PACIFIC. HOWEVER, WE STILL MUST WORK TO MANAGE OTHER DIFFICULT ISSUES SUCH AS WHALING WHERE OUR POSITIONS DIFFER.

Q: What kinds of changes in Japanese corporate practices could best improve U.S. access to Japan's distribution channel and markets?

A: THE MOST IMPORTANT STEP JAPANESE COMPANIES CAN TAKE TO IMPROVE U.S. MARKET ACCESS IN JAPAN IS TO OPEN UP THEIR PROCUREMENT PROCESS FULLY TO ALL ENTRANTS, FOREIGN AND DOMESTIC, AND MAKE DECISIONS BASED ON PRICE AND QUALITY FACTORS, AS WELL AS RELIABILITY OF SUPPLY. JAPANESE COMPANIES SHOULD ENSURE THAT THEIR PROCUREMENT GUIDELINES, SPECIFICATIONS, AND STANDARDS ARE TRANSPARENT AND AVAILABLE TO ALL ON AN EQUAL BASIS AND THAT COMPETITION TAKES PLACE AT ALL STAGES, SO THAT FOREIGN COMPANIES CAN INCREASE THEIR PARTICIPATION IN DESIGN-INS AS WELL AS OTHER SALES. WHOLESALERS AND RETAILERS CAN TAKE SIMILAR STEPS TO CARRY AND PROMOTE PRODUCTS BASED ON COMPETITIVE FACTORS, NOT JUST TRADITIONAL LINKS TO SPECIFIC COMPANIES OR PRODUCT LINES.

Q: What would be the political and economic implications of reducing import barriers on various agricultural products, especially rice?

A: THE JAPANESE GOVERNMENT AND FARMERS HAVE OPPOSED LIBERALIZATION OF MANY AGRICULTURAL PRODUCTS, INCLUDING RICE, ON THE GROUNDS THAT IT WILL DISPLACE DOMESTIC PRODUCERS, UNDERMINE FURTHER JAPANESE SELF-SUFFICIENCY IN FOOD PRODUCTION, AND THREATEN JAPAN'S TRADITIONAL AGRARIAN CULTURAL TRADITIONS. POLITICIANS AND BUREAUCRATS ALSO POINT TO THE POWER OF AGRARIAN CONSTITUENCIES WITHIN THE JAPANESE POLITICAL SYSTEM AS AN IMPEDIMENT TO EFFORTS TO LIBERALIZE THE AGRICULTURAL MARKET IN A RAPID MANNER.

THE USG RECOGNIZES THE SENSITIVITY OF REMOVING AGRICULTURAL BARRIERS IN JAPAN, PARTICULARLY ON RICE. HOWEVER, MOST COUNTRIES HAVE SIMILAR SENSITIVITIES WITH RESPECT TO SPECIFIC AGRICULTURAL PRODUCTS. WE CONTINUE TO URGE JAPAN TO JOIN OTHERS TO MOVE FORWARD ON LIBERALIZATION. IN ORDER TO BRING THE URUGUAY ROUND TO A SUCCESSFUL CONCLUSION, IT IS ESSENTIAL THAT ALL COUNTRIES MAKE DIFFICULT DECISIONS TO LIBERALIZE THEIR PROTECTED AREAS.

Japan Plutonium Program

11. Q. What, if any, additional commitment should the US seek from Japan about its production and use of plutonium and the transport of plutonium from Europe to Japan?

A. JAPAN HAS IMPECCABLE NONPROLIFERATION CREDENTIALS AND HAS DEMONSTRATED A COMPREHENSIVE COMMITMENT TO NONPROLIFERATION OF NUCLEAR WEAPONS AND PHYSICAL PROTECTION OF NUCLEAR MATERIALS. JAPAN IS A PARTY TO THE TREATY ON THE NONPROLIFERATION OF NUCLEAR WEAPONS, THE CONVENTION ON THE PHYSICAL PROTECTION OF NUCLEAR MATERIALS. IT IS A MEMBER OF THE NUCLEAR SUPPLIERS GROUP AND ZANGGER COMMITTEE AND HAS A FULLSCOPE SAFEGUARDS AGREEMENT WITH THE INTERNATIONAL ATOMIC ENERGY AGENCY. IN ADDITION, IN THE 1988 US-JAPAN AGREEMENT FOR COOPERATION IN THE PEACEFUL USES OF NUCLEAR ENERGY, JAPAN AGREED TO ALL REQUIREMENTS OF THE US NUCLEAR NONPROLIFERATION ACT OF 1978. THAT AGREEMENT REQUIRED SPECIFIED IAEA SAFEGUARDS ON PLUTONIUM AND RIGOROUS PHYSICAL PROTECTION MEASURES FOR PLUTONIUM SHIPMENTS. WE HAVE EVERY EXPECTATION THAT JAPAN WILL CONTINUE TO ABIDE BY ALL OF THE ABOVE COMMITMENTS AND SEE NO REASON FOR SEEKING ADDITIONAL COMMITMENTS

Japan Plutonium Program

12. What effect will Japan's use of plutonium have on US and international efforts to persuade other nations not to produce weapons grade materials.

JAPAN AND A NUMBER OF COUNTRIES IN EUROPE USE PLUTONIUM AS PART OF THEIR ADVANCED CIVIL NUCLEAR PROGRAMS. THESE COUNTRIES HAVE MADE FIRM NONPROLIFERATION COMMITMENTS. THE US ALONG WITH OTHER SUPPLIER SUCH AS AUSTRALIA AND CANADA, HAS SOUGHT TO EXERCISE OUR PRIOR CONSENT RIGHTS OVER REPROCESSING AND USE OF PLUTONIUM WITH SUCH COUNTRIES ON RELIABLE BASIS CONSISTENT WITH US LEGAL REQUIREMENTS. AT THE SAME TIME THE US HAS VIGOROUSLY OPPOSED THE SPREAD OF SENSITIVE NUCLEAR TECHNOLOGIES AND WEAPONS USABLE MATERIALS TO OTHER COUNTRIES, ESPECIALLY IN AREAS OF PROLIFERATION CONCERN. ALL COUNTRIES WHICH ADHERE TO THE NUCLEAR SUPPLIERS GUIDELINES HAVE AGREED TO EXERCISE RESTRAINT IN THE EXPORT OF SENSITIVE NUCLEAR TECHNOLOGIES AND MATERIALS. WE DO NOT BELIEVE THE USE OF PLUTONIUM BY JAPAN OR CERTAIN COUNTRIES IN EUROPE UNDER ADEQUATE SAFEGUARDS AND CONTROLS WILL HAVE ANY SIGNIFICANT EFFECT ON EITHER THE MOTIVES OR THE SUCCESS OF OTHER COUNTRIES TO ACQUIRE WEAPONS-USABLE MATERIALS.

Q: What are the long-term implications for both the Japanese and US aircraft industries of Japanese participation in US commercial aircraft programs?

A: MAINTAINING THE GLOBAL LEADERSHIP OF THE US COMMERCIAL AIRCRAFT INDUSTRY IS A KEY ECONOMIC NATIONAL SECURITY OBJECTIVE OF THE US GOVERNMENT. US GOVERNMENT GOALS ARE 1) TO ASSIST OUR COMMERCIAL AIRPLANE MANUFACTURERS RETAIN THEIR COMPETITIVE SUPERIORITY AGAINST FOREIGN FIRMS AND 2) TO ENSURE THAT US AIRPLANE MANUFACTURERS HAVE ACCESS ON A COMMERCIAL BASIS TO TECHNOLOGY DEVELOPMENTS IN JAPAN.

JAPAN DOES NOT MAKE COMPLETED COMMERCIAL AIRPLANES AND IS A KEY MARKET FOR OUR COMMERCIAL AIRPLANE MANUFACTURERS. DECISIONS BY US AIRPLANE MANUFACTURERS TO SUBCONTRACT WORK TO OR TO POOL RISK WITH JAPANESE FIRMS ARE PRIVATE COMMERCIAL DECISIONS.

AIRCRAFT AND RELATED EQUIPMENT HISTORICALLY HAS BEEN THE LEADING US EXPORT TO JAPAN -- FOR 1992, \$3.8 BILLION, VERSUS IMPORTS FROM JAPAN OF \$508 MILLION. A JAPANESE CARRIER OPERATES THE WORLD'S LARGEST BOEING 767 FLEET; ANOTHER, THE LARGEST FOREIGN BOEING 747 FLEET.

- Q: As Japanese firms expand their European business, will their success necessarily diminish US market share in Europe?
- A: US FIRMS HAVE MADE SUBSTANTIAL INVESTMENTS IN DISTRIBUTION, RESEARCH, AND PRODUCTION IN EUROPE AND ARE FORMIDABLE COMPETITORS THERE. WE BELIEVE US COMPANIES IN EUROPE WILL MAINTAIN A STRONG COMPETITIVE EDGE OVER THEIR JAPANESE COMPETITION AND MAINTAIN MARKET SHARE.
- Q: How would Japan view a reauthorized Super 301 or similar US trade policy approach?
- A: JAPANESE GOVERNMENT OFFICIALS HAVE EXPRESSED OPPOSITION TO REAUTHORIZATION OF SUPER 301 AND HAVE REPEATEDLY EXPRESSED THE VIEW THEY COULD CHALLENGE US USE OF SUCH MEASURES IN THE GATT.
- Q: What can Japan do to improve the ability of foreign firms to operate more freely in acquiring interests in Japanese companies?
- A: THE LEVEL OF INWARD FOREIGN DIRECT INVESTMENT (FDI) IN JAPAN IS THE LOWEST OF THE OECD COUNTRIES. THE LACK OF U.S. BUSINESS PRESENCE IN JAPAN CONSTRAINS OUR ABILITY TO ACCESS JAPANESE MARKETS, TECHNOLOGY AND INNOVATION IN GENERAL.

THE PRIMARY REASONS FOR THE LACK OF FDI IN JAPAN ARE: HIGH COSTS OF DOING BUSINESS; THE HISTORICAL LEGACY OF CAPITAL CONTROLS; CROSS SHAREHOLDING AMONG JAPANESE COMPANIES AND UNFAVORABLE ATTITUDES TOWARDS CORPORATE TAKEOVERS. THE SIGNIFICANT BARRIERS TO FDI ARE INFORMAL; RESIDUAL FORMAL REGULATIONS HAVE MARGINAL EFFECT ON INVESTMENT.

THE HIGH COSTS ARE IN TURN A RESULT OF DOMESTIC TAXATION AND ZONING POLICIES THAT RESTRICTS THE DEVELOPMENT AND AVAILABILITY OF LAND.

TO FACILITATE FDI, WE HAVE URGED THE JAPANESE GOVERNMENT TO INCREASE DISCLOSURE REQUIREMENTS IN ORDER TO SHOW AFFILIATIONS BETWEEN RELATED JAPANESE COMPANIES; MAKE FINANCIAL SECTOR AND OTHER REFORMS THAT WOULD REDUCE CROSS SHAREHOLDING; AND ADDRESS THE STRUCTURAL PROBLEMS THAT INCREASE COSTS OF DOING BUSINESS IN JAPAN, INCLUDING THE VERY HIGH COST OF LAND.

- Q: What steps are being taken to ensure that existing agreements on telecommunications are being effectively implemented?
- A: THE US GOVERNMENT ANNUALLY REVIEWS THE EFFECTIVENESS AND OPERATION OF TELECOMMUNICATIONS TRADE AGREEMENTS BETWEEN THE US AND JAPAN UNDER SECTION 1377 OF THE 1988 TRADE ACT. TO DATE, THESE REVIEWS HAVE INDICATED JAPAN HAS MET THE TERMS OF THE AGREEMENT.

HOWEVER, AS NOTED IN THE ANNUAL TITLE VII REVIEW OF JAPANESE GOVERNMENT PROCUREMENT, WHILE US BUSINESSES OPERATING IN JAPAN'S TELECOMMUNICATIONS MARKET HAVE REPORTED FEW PROBLEMS WITH FORMAL ASPECTS OF JAPANESE GOVERNMENT PROCUREMENT LAWS AND PROCEDURES THAT ARE COVERED BY THE GATT GOVERNMENT PROCUREMENT CODE, US BUSINESS WOULD BENEFIT FROM GREATER TRANSPARENCY OF INFORMATION AND GOVERNMENT AGENCY PURCHASING PLANS, STREAMLINING OF PRE-REGISTRATION REQUIREMENTS, MORE TIMELY AND DETAILED INFORMATION ABOUT PAST PROCUREMENTS, AND A GOVERNMENT-WIDE BID PROTEST SYSTEM. WE WILL CONTINUE TO ADDRESS THESE ISSUES BILATERALLY WITH JAPAN.

- Q: How do Japanese view the US-Mexico-Canada talks on a North American Free Trade Agreement? Would it threaten Japanese interests?

- A: JAPANESE GOVERNMENT OFFICIALS HAVE EXPRESSED CONCERN THAT NAFTA MIGHT IMPAIR JAPANESE ACCESS TO THE US MARKET. WE HAVE MADE THE POINT THAT NAFTA WILL BE TRADE-CREATING AND NOT TRADE DISTORTING, AND CONSISTENT WITH US OBLIGATIONS UNDER THE GATT. WE DO NOT BELIEVE IT WILL THREATEN JAPANESE INTERESTS.

- Q: What steps has Japan taken to encourage equal consideration of US supercomputers by potential Japanese customers?

- Q: THE US GOVERNMENT IS SERIOUSLY CONCERNED THAT THE GOVERNMENT OF JAPAN MAY NOT BE ADHERING TO THE TERMS OF THE 1990 SUPERCOMPUTER AGREEMENT. OVER THE COMING MONTHS, JAPANESE GOVERNMENT AGENCIES ARE EXPECTED TO PROCURE A NUMBER OF SUPERCOMPUTERS. DURING THIS PERIOD, PURSUANT TO SECTION 306 OF THE TRADE ACT OF 1974, THE US GOVERNMENT WILL UNDERTAKE A SPECIAL REVIEW OF JAPANESE GOVERNMENT PERFORMANCE UNDER THE AGREEMENT THUS FAR AND WILL CLOSELY SCRUTINIZE EACH OF THE COMING PROCUREMENTS.

BASED UPON THIS REVIEW AND THE OUTCOME OF THESE PROCUREMENTS, THE US GOVERNMENT WILL DETERMINE WHETHER OR NOT JAPAN IS IN COMPLIANCE WITH THE TERMS OF THE AGREEMENT.

Q: What role does Japan see for itself in Asia and the western Pacific region as a result of its emergence as the financial nerve center and "core economy" of the region?

A: JAPAN'S ECONOMIC RELATIONSHIP WITH ASIA -- TRADE, INVESTMENT, AND AID -- BEGAN TO GROW SUBSTANTIALLY IN THE 1980'S. THIS HAS CONTRIBUTED TO ECONOMIC DEVELOPMENT IN ASIA AND ENABLED JAPANESE FIRMS TO INCREASE COMPETITIVENESS BY CONTRACTING OUT LOWER VALUE ADDED MANUFACTURING.

JAPAN HAS BEEN MUCH MORE RELUCTANT TO PURSUE A REGIONAL POLITICAL/SECURITY AGENDA AS A RESULT OF ITS LEGACY FROM WORLD WAR II. BOTH JAPAN AND JAPAN'S ASIAN NEIGHBORS IN THIS REGARD STRONGLY WANT THE US TO RETAIN A PROMINENT ROLE IN ASIAN ECONOMIES AND IN REGIONAL SECURITY ISSUES. THE US AND JAPAN ARE COOPERATING CLOSELY IN SUCH ASIAN FORA AS THE ASEAN-PMC AND APEC.

Q: How might the U.S. and Japan come to a better understanding of mutual concerns with whaling and fisheries such that potential trade disputes, including GATT conflicts, are avoided?

A: IN OUR VIEW, CLOSE CONSULTATIONS ARE THE BEST MEANS TO ENSURE CONTINUED STRONG U.S.-JAPAN RELATIONS IN THE AREAS OF FISHERIES AND WHALING. FOR THIS REASON, LAST YEAR OUR TWO GOVERNMENTS ESTABLISHED A U.S.-JAPAN CONSULTATIVE COMMITTEE ON FISHERIES TO FACILITATE REGULAR DISCUSSIONS ON THE FULL RANGE OF CURRENT AND FUTURE ISSUES THAT AFFECT BOTH COUNTRIES. THE FIRST ANNUAL MEETING WAS HELD LAST FALL. WE ALSO CONTINUE TO CONSULT REGULARLY IN AND AROUND OTHER INTERNATIONAL MEETINGS.

SUCH CLOSE COLLABORATION HAS BEEN PRODUCTIVE, AS IS EVIDENT BY JAPAN'S AGREEMENT TO A MORATORIUM ON LARGE-SCALE HIGH SEAS DRIFTNET FISHING AND DECISION TO END SALMON FISHING ON THE HIGH SEAS OF THE NORTH PACIFIC OCEAN. HOWEVER, WE STILL MUST WORK TO MANAGE OTHER DIFFICULT ISSUES SUCH AS WHALING WHERE OUR POSITIONS DIFFER.

Q: What kinds of changes in Japanese corporate practices could best improve U.S. access to Japan's distribution channel and markets?

A: THE MOST IMPORTANT STEP JAPANESE COMPANIES CAN TAKE TO IMPROVE U.S. MARKET ACCESS IN JAPAN IS TO OPEN UP THEIR PROCUREMENT PROCESS FULLY TO ALL ENTRANTS, FOREIGN AND DOMESTIC, AND MAKE TRANSPARENT DECISIONS BASED ON PRICE AND QUALITY FACTORS, AS WELL AS RELIABILITY OF SUPPLY. JAPANESE COMPANIES SHOULD ENSURE THAT THEIR PROCUREMENT GUIDELINES, SPECIFICATIONS, AND STANDARDS ARE TRANSPARENT AND AVAILABLE TO ALL ON AN EQUAL BASIS AND THAT COMPETITION TAKES PLACE AT ALL STAGES, SO THAT FOREIGN COMPANIES CAN INCREASE THEIR PARTICIPATION IN DESIGN-INS AS WELL AS OTHER SALES. WHOLESALERS AND RETAILERS CAN TAKE SIMILAR STEPS TO CARRY AND PROMOTE PRODUCTS BASED ON COMPETITIVE FACTORS, NOT JUST TRADITIONAL LINKS TO SPECIFIC COMPANIES OR PRODUCT LINES.

Q: What would be the political and economic implications of reducing import barriers on various agricultural products, especially rice?

A: THE JAPANESE GOVERNMENT AND FARMERS HAVE OPPOSED LIBERALIZATION OF MANY AGRICULTURAL PRODUCTS, INCLUDING RICE, ON THE GROUNDS THAT IT WILL DISPLACE DOMESTIC PRODUCERS, UNDERMINE FURTHER JAPANESE SELF-SUFFICIENCY IN FOOD PRODUCTION, AND THREATEN JAPAN'S TRADITIONAL AGRARIAN CULTURAL TRADITIONS. POLITICIANS AND BUREAUCRATS ALSO POINT TO THE POWER OF AGRARIAN CONSTITUENCIES WITHIN THE JAPANESE POLITICAL SYSTEM AS AN IMPEDIMENT TO EFFORTS TO LIBERALIZE THE AGRICULTURAL MARKET IN A RAPID MANNER.

THE USG RECOGNIZES THE SENSITIVITY OF REMOVING AGRICULTURAL BARRIERS IN JAPAN, PARTICULARLY ON RICE. HOWEVER, MOST COUNTRIES HAVE SIMILAR SENSITIVITIES WITH RESPECT TO SPECIFIC AGRICULTURAL PRODUCTS. JAPAN HAS BEEN ONE OF THE GREATEST BENEFICIARIES OF THE MULTILATERAL TRADING SYSTEM, AND SHOULD TAKE AN ACTIVIST ROLE TO PROMOTE EXTENSION OF GATT DISCIPLINES TO AGRICULTURE IN THE URUGUAY ROUND. IN ORDER TO BRING THE GATT ROUND TO A SUCCESSFUL CONCLUSION, IT IS ESSENTIAL THAT ALL COUNTRIES MAKE DIFFICULT DECISIONS TO LIBERALIZE THEIR PROTECTED AREAS. WE FULLY EXPECT JAPAN TO MEET ITS URUGUAY ROUND OBLIGATION TO REDUCE IMPORT BARRIERS FOR ALL APPROPRIATE AGRICULTURAL PRODUCTS, AS OUTLINED IN THE URUGUAY ROUND DRAFT FINAL ACT.

MALAYSIA: REFUGEES AND IMETQuestion

Why does the Administration support IMET funding for Malaysia? Has Malaysia's altered its policy on first asylum for Indochinese refugees? If not, should we continue the ban?

Answer

- o THE IMET SUSPENSION WAS ORIGINALLY INSTITUTED BECAUSE OF CONCERNS WITH MALAYSIA'S "PUSH-OFF" POLICY WITH RESPECT TO INDOCHINESE REFUGEES.
- o WHILE MALAYSIA HAS NOT EXPLICITLY CHANGED ITS POLICY, THE FLOW OF INDOCHINESE REFUGEES HAS STOPPED. THERE HAVE BEEN NO ARRIVALS BY BOAT SINCE MAY 1992.
- o WE BELIEVE STRONGLY THAT U.S. INTERESTS WOULD BEST BE SERVED BY RESUMING THE IMET PROGRAM.
- o THE IMET PROGRAM SERVES U.S. NATIONAL INTERESTS; IT IS NOT DESIGNED TO "REWARD" A NATION:
 - MALAYSIA IS A FRIENDLY, DEMOCRATIC NATION IN A STRATEGIC LOCATION.
 - IT IS IN OUR INTEREST TO DEVELOP SOUND LONG-TERM DEFENSE TIES WITH MALAYSIA, WHICH HAS CONTINUED TO SUPPORT THE U.S. SECURITY PRESENCE IN THE REGION.
 - IMET STRENGTHENS MUTUAL UNDERSTANDING AND MALAYSIAN KNOWLEDGE OF OUR MILITARY TRADITIONS AND WAY OF LIFE.
- o THE IMET SUSPENSION HAS REDUCED OUR INFLUENCE, AND GIVES AMMUNITION TO THOSE IN MALAYSIA WHO ARGUE THAT WE ARE UNRELIABLE FRIENDS.
- o MALAYSIA GRANTED FIRST ASYLUM TO OVER ONE QUARTER OF A MILLION INDOCHINESE REFUGEES IN THE SEVENTIES AND EIGHTIES. IT CONTINUES TO HOST ALMOST 10,000 INDOCHINESE REFUGEES IN CAMPS IN THE COUNTRY. IT IS NOW WELCOMING REFUGEES FROM BOSNIA.

MALAYSIA: EAECQuestion

What is the status of Malaysia's proposal for an East Asian Economic Caucus (EAEC)? How do we view the proposal?

Answer

- o WE UNDERSTAND THAT THE IDEA OF AN EAST ASIAN ECONOMIC CAUCUS (EAEC), FIRST BROACHED IN 1990, REMAINS UNDER STUDY BY THE ASEAN SECRETARIAT.
- o THE UNITED STATES IS COMMITTED TO LIBERALIZING TRADE ACROSS THE PACIFIC, REDUCING ECONOMIC DISTORTIONS AND FOSTERING BROAD ECONOMIC COOPERATION. IN ASIA, WE HAVE EMBRACED APEC (ASIA-PACIFIC ECONOMIC COOPERATION) AS OUR PRINCIPAL FORUM FOR SUCH ISSUES. WE ARE MOST PLEASED WITH THE PROGRESS IT HAS ACHIEVED IN THE SHORT TIME THAT IT HAS BEEN ACTIVE. THE UNITED STATES IS HONORED TO CHAIR THIS YEAR'S APEC MINISTERIAL MEETING.

(IF PRESSED)

- o WE SUPPORT FREE TRADE ASSOCIATIONS SUCH AS THE ASEAN FREE TRADE AGREEMENT (AFTA), WHICH IS SIMILAR TO OUR NAFTA. WE SUPPORT OPEN REGIONALISM WHICH REDUCES ECONOMIC DISTORTIONS. WE SUPPORT ECONOMIC ARRANGEMENTS THAT ARE GATT-CONSISTENT AND COMPATIBLE WITH APEC.

MONGOLIA

Q: What assistance is the U.S. providing Mongolia?

A: IN FY 93, THE U.S. IS PROVIDING MONGOLIA:

- \$8 MILLION IN ECONOMIC SUPPORT FUNDS (ESF) TO SHORE UP MONGOLIA'S DETERIORATING NATIONAL ENERGY AND HEATING SYSTEMS;
- \$2.2 MILLION IN DEVELOPMENTAL ASSISTANCE TO SUPPORT DEMOCRATIZATION AND TRAINING IN MARKET ECONOMICS; AND
- OVER \$17 MILLION IN FOOD AND COMMODITY ASSISTANCE, INCLUDING 5000 METRIC TONS OF BUTTER, 2000 METRIC TONS OF BUTTER OIL, AND 25,000 METRIC TONS OF FEED WHEAT.
- \$75,000 IN IMET ASSISTANCE, AND OVER \$25,000 IN HUMANITARIAN ASSISTANCE.

FOR FY 94, WE HAVE REQUESTED \$5 MILLION IN ESF, 75,000 IN IMET, \$3.6 MILLION IN DEVELOPMENTAL ASSISTANCE, AND WE WILL CONSIDER FOOD ASSISTANCE IN LIGHT OF THE NEEDS OF MONGOLIA AND THE AVAILABILITY OF U.S. COMMODITIES.

MONGOLIA

Q: Why are we spending all that money on a country with no strategic significance to the U.S.?

A: OUR AID TO MONGOLIA IS BASED ON U.S. SUPPORT FOR EMERGING DEMOCRATIC AND MARKET-ORIENTED NATIONS AROUND THE WORLD. IN 1990, MONGOLIA WAS THE FIRST NATION IN ASIA TO BREAK FROM THE SOVIET ORBIT AND THROW OFF COMMUNISM. SINCE THEN, MONGOLIA'S GOVERNMENT AND ITS PEOPLE HAVE PROVEN THEIR COMMITMENT TO DEMOCRACY AND A MARKET ECONOMY. DESPITE THE DIFFICULT TRANSITION, THE GOVERNMENT CONTINUES ALONG THE PATH OF REFORM.

MONGOLIA IS SANDWICHED BETWEEN RUSSIA AND CHINA--TWO GIANTS ENGAGED IN THEIR OWN PROCESSES OF REFORM. A PROSPEROUS, MARKET-ORIENTED, DEMOCRATIC MONGOLIA WILL HAVE A POSITIVE EFFECT ACROSS ITS BORDERS.

ALSO, A SUCCESSFUL TRANSITION TO DEMOCRACY AND A MARKET ECONOMY IN MONGOLIA WILL PROVIDE A POSITIVE EXAMPLE FOR OTHER COUNTRIES STRUGGLING TO OVERCOME DECADES OF POLITICAL SUBJUGATION AND ECONOMIC MISMANAGEMENT.

MONGOLIA

Q: Why doesn't the U.S. provide more aid to Mongolia?

ALTHOUGH WE ENJOY GOOD RELATIONS, AND MONGOLIA HAS WELCOMED THE U.S. AS A "THIRD NEIGHBOR", BUDGET STRINGENCY AND THE NEED TO DO MORE WITH LESS UNFORTUNATELY FORCE US TO MAKE DIFFICULT CHOICES BETWEEN WORTHY CANDIDATES FOR U.S. ASSISTANCE.

THOUGH NONE IS MORE DESERVING THAN MONGOLIA, MANY COUNTRIES STILL COMPETE FOR THE SHRINKING PIE. WE WOULD LIKE TO DO MORE, BUT GIVEN THE GROWING COMPETITION FOR SCARCE AND DWINDLING RESOURCES, WE BELIEVE THE AMOUNT OF AID WE PROVIDE MONGOLIA IS APPROPRIATE.

New Zealand: Ship Visits

Q: Have there been any developments with regard to U.S. ship visits to New Zealand?

A: NO. NEW ZEALAND'S ANTI-NUCLEAR LAW, AS PRESENTLY DRAFTED, NOT ONLY FLATLY PROHIBITS ENTRY OF THAT PART OF OUR NAVY WHICH IS NUCLEAR POWERED BUT IS INCOMPATIBLE WITH OUR GLOBAL POLICY OF NEITHER CONFIRM NOR DENY (NCND) THE PRESENCE OR ABSENCE OF NUCLEAR WEAPONS ABOARD OUR SHIPS.

GIVEN THESE OBSTACLES, A U.S. SHIP VISIT TO NEW ZEALAND IS NOT POSSIBLE.

Q: With an election coming up this year, what are the prospects of a new government in New Zealand and the possibility of altering their policy on ship visits?

A: I DO NOT WISH TO SPECULATE ON THE POSSIBLE OUTCOME OF AN ELECTION IN NEW ZEALAND OR ANY OTHER COUNTRY.

THE U.S. GOVERNMENT MAINTAINS THAT IT IS UP TO THE GOVERNMENT AND PEOPLE OF NEW ZEALAND TO DETERMINE WHETHER TO TAKE ACTIONS NECESSARY TO PERMIT RESUMPTION OF AN ALLIANCE RELATIONSHIP.

PHILIPPINES: MAI ACCOMPLISHMENTSQuestion

In the Administration's judgment, what are the most significant accomplishments of the MAI thus far?

Answer

o Among the chief achievements of the MAI have been:

-- Policy reform: new foreign investment law, tariff reduction and reform, liberalized foreign exchange regime; still to come are private banking liberalization and Central Bank restructuring, which are now before the Philippine Congress

-- Infrastructure: technical assistance for private power development, energy conservation, and development of the build-operate-transfer (BOT) program

-- Private enterprise: creation of an American desk at the Board of Investments to assist U.S. business, funding of pre-investment feasibility studies, and technical assistance on deregulation of the telecommunications and transportation sectors

-- Environment: integrating sustainable yield methods into forestry production, forest resource and watershed management, protection of the "old growth" forests at Subic Bay, and a debt-for-nature swap working with the World Wildlife Foundation

o Areas of emphasis for FY 94, and possibly beyond, would include sustainable natural resource development, industrial environmental management, leveraging resources for high priority infrastructure projects, and promoting the use of U.S. technology in private investment projects

PHILIPPINES: MAI CONTRIBUTIONSQuestion

What was the original level of U.S. contributions to the MAI?
How much have we actually contributed?

Answer

o In 1989, the United States pledged best efforts to contribute \$1 billion to the MAI over five years. Appropriated U.S. contributions for the MAI through FY 93, the first four years of the program, total \$438.5 million.

o As of March 1993, U.S. AID has obligated nearly \$398 million, or over 91%, in grant funds for projects supportive of the MAI. Actual disbursements, including payments based on actual performance, were just under 43%.

o Of funds obligated for the MAI, however, 58% are committed for implementing specific projects.

PHILIPPINES: MULTILATERAL ASSISTANCE INITIATIVE (MAI)Question

The Multilateral Assistance Initiative was originally intended to last for five years, making fiscal year 1994 the last year. Does the Administration support an extension of the MAI? If so, for how long?

Answer

o The Administration continues to support the objectives of the MAI.

o An interagency assessment of the MAI has been initiated by the Bureau of East Asian and Pacific Affairs. The future level of U.S. contributions, duration of the program, and the role of the Special Representative will be considered in this review, which I expect will be completed by the end of this month.

o In proceeding, we will take into account recommendations regarding an updated strategy for U.S. AID operations in the Philippines, World Bank views on the effectiveness of the MAI as a mechanism for coordinating external assistance programs, prospects for continued economic reform and restructuring in the Philippines, and an appraisal of long-term external financing needs.

PhilippinesQuestion

What is your assessment of the stability of the democratic government in the Philippines? What is the status of the Communist insurgency? Is there any threat to the government from the Philippine military?

Answer

- o Last May, Fidel Ramos was elected president of the Philippines from a field of seven contenders in the first peaceful transfer of power there in nearly 25 years.
- The election itself was a demonstration of the Philippine people's desire to continue the democratic form of government that had been put into place under President Aquino.
- Since his inauguration, President Ramos has taken steps to address root causes of political instability through economic reform measures and by opening a dialogue on national reconciliation with the various insurgent and rebel groups.
- o President Ramos has made "national reconciliation" his first priority and established a National Unification Commission to promote peace talks with all rebel groups, including the communists, military rebels and Muslim insurgents.
- o Government and Communist Party representatives reached an agreement in September to begin formal peace negotiations. Some progress has been made since then and long-term prospects for a peaceful solution are good.
- o The Communist insurgents are now openly split into factions and are much weakened. However, combatting them still consumes substantial government resources. In addition, splinter groups from the insurgency pose continuing terrorist and criminal threats.
- o Muslim separatists and military rebels pose no serious threat to the Ramos government, though Muslim separatists present a security risk to government forces in southern Mindanao.
- o In recent months, prominent military rebel leaders have emerged from hiding and have begun peace talks with the Government.

PHILIPPINES

Question

What is the status of the effort to implement economic reform programs in the Philippines? What economic reforms would the administration like to see the Philippines implement that have not yet been implemented?

Answer

- o The Philippine government has moved ahead with a number of reforms since the new administration assumed office last year, both macroeconomic changes and trade liberalization.
 - In mid-1992, the GOP removed foreign exchange controls, freeing international transactions. This has had the positive effect of attracting capital inflows back into the Philippines and encouraging remittances from overseas.
 - The government has moved to replace non-tariff barriers to imports with a transparent tariff system for most products. The tariffs are to be phased down according to a time schedule, liberalizing imports over the next few years.
 - Also significant to attracting new investment and encouraging exports is the GOP's new agreement with the US to increase protection of intellectual property and strengthen enforcement of these protections.
- o The Philippine Congress recently gave President Ramos special powers, effective for one year, to deal with the energy crisis. He has used these powers to implement higher electricity rates, and to move ahead on the fast-track program to supply new power sources.
- o The Philippine government has committed to liberalize banking regulations to allow greater participation by foreign banks. Draft legislation has been submitted to Congress and it is hoped that the bill will be acted on by the end of 1993.
- o The United States would like to see the Philippines proceed rapidly with implementing the legislation to extend foreign bank operations. We would also like to see the GOP begin to put in place, and gradually reduce, tariffs on agricultural commodities such as corn and feedgrains, that offer attractive export possibilities for the US.
 - Agreement on a medium-term program with the IMF will build on the successful stabilization effort of the past two years, which will boost investor and aid-donor confidence that the GOP plans to pursue economic policies leading to sustained growth.

PhilippinesQuestion

Since the US no longer has bases in the Philippines, why should we be providing aid to that country?

Answer

- o Our aid to the Philippines has been cut in half in each of the past two years, reflecting, among other factors, the change in our bilateral security relationship.
- o We will not be able to continue vital programs such as those that support the development of local government and democratic institutions, provide loans to buy US commodities, and encourage private sector and infrastructure development if we do not maintain current levels of assistance.
- o In addition to our long historical ties and the continuing security relationship with the Philippines under the Mutual Defense Treaty, there are a number of political and geostrategic reasons why the US should continue to support the GOP and assist in Philippine development.
- o After a period of turmoil, the Philippines is actively consolidating its democratic processes. Since President Ramos was elected in free and open elections last May, he has made national reconciliation one of his top priorities. As part of this policy, the Ramos administration has opened discussions with all insurgent groups on peace arrangements, legalized the communist party and tackled the problems of law and order which have plagued the country for years.
- o Nonetheless, the Philippines still faces the problem of countering communist and Muslim separatist insurgencies on the ground. The government needs assistance to maintain existing equipment for its air, land and naval forces, as the Philippines starts to come to grips with the problems of modernizing its armed forces.
- o President Ramos has also taken the first steps on a long road toward improving the Philippine economy. His efforts at economic reform are complicated by a severe lack of infrastructure, a population that is increasing more rapidly than the growth of the economy, and major dislocations from natural disasters, including the eruptions of Mounts Pinatubo and Mayon.

US ASSISTANCE TO THE PHILIPPINES

Question

How much aid does the US give the Philippines and what is the nature of our assistance? What should our posture be?

Answer

Overview

- o Total US assistance to the Philippines, including economic and military grant funding and PL-480 lending, will be approximately \$157 million in FY-93.
- o US assistance has dropped dramatically over the past two years, from \$218.7 million in FY-92 and \$567.9 million in FY-91.
- o The drop in assistance levels reflects budget realities that have resulted in global aid reductions and reallocations.
- o To the extent that resources for foreign assistance allow, we believe it is important to continue funding development programs in the Philippines, given the country's needs and the nature of our historic relationship.
- o We also believe that the Philippines, a treaty ally which still faces active -- if diminished -- insurgencies, deserves continued security assistance.

Economic Assistance and Food Aid

- o In fiscal year 1993, the United States will provide approximately \$94.8 million in Development Assistance, Economic Support Funds, and Multilateral Assistance Initiative funding. Food for Peace grant assistance and lending is programmed at \$44.9 million.
- o Given the level of development of the Philippines (\$720 GNP/capita in 1992) and the continuing need for basic human needs and infrastructure assistance to help increase Philippine productivity and economic viability, we believe this level of economic assistance is fully justified.
- o The nature of the assistance is as follows:
 - **Development Assistance** (\$29.8 million) supports programs including child survival, family planning, health, and rural electrification.
 - **Economic Support Funds** (\$25 million) includes programs which support technical assistance, agribusiness development, and improvement in local government infrastructure.

(Assistance to the Philippines, continued)

-- The Multilateral Assistance Initiative (\$40 million) is a unique program which includes the funding by the US, International Financial Institutions (IBRD, ADB), and other developed-country donors to support the fledgling democracy in the Philippines and help put the Philippine economy on the road to sustainable growth. Privatization, natural resources management and capital markets development are among the MAI-supported projects.

-- PL-480: Title II assistance (\$24.9 million) supports maternal and child health and feeding programs through private voluntary organizations. PL-480 Title I lending (\$20 million) provides support for US grain sales.

Military Assistance

- o Reflecting our post-bases security relationship, FY-93 FMF is programmed for \$15 million, down from \$25 million in FY-92.
- o IMET programming for FY-93 is \$2.3 million, down from \$2.6 million in FY-92.

U.S. ASSISTANCE TO THE PHILIPPINESASSISTANCE LEVELS 1990-1993 (\$ Millions)

	<u>FY 90</u> actual	<u>FY 91</u> actual	<u>FY 92</u> actual	<u>FY 93</u> initial
ESF	120	120	45	25
DA	40	40	34.382	29.8
PL 480 I/III	21	20	20	20
PL 480 II	20.5 a/	13.7 b/	13.4 b/	24.9 a/
Section 416	--	11.6	--	--
FMF (grant)	140	200	25	15
IMET	2.6	2.8	2.66	2.3
MAI	160	160	78.521	40
<u>Total</u>	<u>504.1</u>	<u>567.9</u>	<u>218.703</u>	<u>157.</u>

Notes:

- a/ Includes freight costs. In FY 90: \$12.3 million for commodity and \$8.2 million for freight.
- b/ Does not include freight costs.

KEY

ESF- Economic Support Fund
 DA - Development Assistance
 PL 480 and Section 416 - Food Aid
 FMF- Foreign Military Financing
 IMET- International Military Education and Training Programs
 MAI - Multilateral Assistance Initiative

Taken Question by Ambassador Winston Lord at May 6 HFAC Hearing
Japanese Investment in the Philippines

Question

How have Japanese investors reacted to the withdrawal of the American military presence in the Philippines?

Answer

- o Japanese direct foreign investment in the Philippines has increased in the last several years, to the extent that Japan will soon overtake the US as the largest investor on a cumulative basis. (US cumulative investment is approximately \$2 billion.)
- o Continued strong Japanese investment is an indicator of investor confidence, even after the US withdrawal from bases in the Philippines.

Philippines

Question

Why is there so much money in the FMF pipeline for the Philippines?

Answer

- o At present, the Philippine Armed Forces, have \$5.5 million in uncommitted FY-92 and prior year FMF funds.
 - By comparison, in mid-November 1992 uncommitted FMF for the Philippine forces totaled \$55 million.
 - At that time, the USG rescinded \$12.35 million from the Philippine account, leaving about \$42.65 million in FMF available for the Armed Forces of the Philippines. Since November, as I've noted, the Philippine forces have managed that remaining amount down to about \$5.5 million.
- o I should point out that an uncommitted sum of \$5.5 million is not unusual. It is necessary for a military force to maintain the flexibility to deal with unexpected contingencies. This is especially true in the case of the Philippine forces, which continue to be engaged in combat operations against communist and Muslim separatist insurgencies.

LEVEL OF ECONOMIC AND SECURITY ASSISTANCE TO THAILAND

Q: What level of foreign assistance is the Administration requesting for Thailand for FY-94? How does this compare with last years levels?

ANSWER

- O FUNDING FOR ECONOMIC DEVELOPMENT ASSISTANCE IS ABOUT SIX MILLION DOLLARS FY-94, THE BULK OF WHICH IS TARGETED ON AIDS AND ENVIRONMENTAL PROGRAMS. FOR FY-93, THIS FIGURE WAS ALSO ABOUT SIX MILLION DOLLARS. THE IMET PROGRAM IS \$1.8 MILLION FOR FY-94 AND WAS TWO MILLION DOLLARS FOR FY-93.

JUSTIFICATION FOR FOREIGN ASSISTANCE PROGRAM IN THAILAND

Q: Should we stop giving foreign aid to Thailand, given its impressive economic growth?

ANSWER

AS THAILAND HAS DEVELOPED ECONOMICALLY AND BECOME MORE ABLE TO PAY ITS OWN WAY, THE U.S. HAS SIGNIFICANTLY REDUCED THE LEVELS OF ASSISTANCE, DROPPING PROGRAMS SUCH AS FOREIGN MILITARY FINANCING WHEN THEY WERE NO LONGER APPROPRIATE. WE ENVISION GRADUATING THAILAND FROM DEVELOPMENT ASSISTANCE IN THE NEXT 3-5 YEARS, AND INTEND TO DISCUSS THIS FURTHER WITH YOU AS WE REFINE OUR PLANS.

- O I SHOULD NOTE THAT THAILAND IS ONE OF OUR OLDEST AND CLOSEST ALLIES IN ASIA. OVER THE YEARS, WE HAVE MAINTAINED AN EXTREMELY COOPERATIVE SECURITY RELATIONSHIP AND HAVE DEVELOPED FLOURISHING ECONOMIC TIES, WITH TOTAL TRADE OF OVER \$12 BILLION DOLLARS ALBEIT WITH A DEFICIT OF SOME \$3.5 BILLION.

-- OUR SECURITY AND ECONOMIC ASSISTANCE HAS HELPED TO LAY A FOUNDATION FOR THIS MUTUALLY BENEFICIAL RELATIONSHIP.

STABILITY OF THAI GOVERNMENT

Q: What is your assessment of the stability of the democratic government in Thailand?

ANSWER

- O THE CURRENT GOVERNMENT IS MADE UP OF FIVE PARTIES, WHICH ENTERED INTO A COALITION LAST OCTOBER AFTER THAILAND'S DEMOCRATIC ELECTIONS IN SEPTEMBER. WE HEARTILY WELCOMED THIS RETURN TO DEMOCRACY.

-- DESPITE THE ROUGH AND TUMBLE OF DEMOCRATIC POLITICS IN THAILAND, THIS COALITION HAS DEMONSTRATED IMPRESSIVE STABILITY OVER THE PAST SIX MONTHS.

-- THE PARTIES HAVE WORKED EFFECTIVELY TOGETHER IN PARLIAMENT TO PASS A BUDGET AND TO ADVANCE THEIR SOCIAL AGENDA WHICH INVOLVES DECENTRALIZATION OF POWER AND AN EFFORT TO MORE EQUITABLY DISTRIBUTE THE FRUITS OF THAILAND'S RAPID ECONOMIC DEVELOPMENT, ESPECIALLY TO RURAL AREAS.

- O GIVEN THE NATURE OF PARLIAMENTARY SYSTEMS, THERE IS NO WAY OF KNOWING HOW LONG THE CURRENT THAI GOVERNMENT WILL CONTINUE IN OFFICE. WE HAVE, HOWEVER, NO REASON TO DOUBT THE GOVERNMENT'S COMMITMENT TO IMPROVING THE WELFARE OF THAILAND'S PEOPLE OR ITS ABILITY TO CONTINUE GOVERNING THE COUNTRY IN ACCORDANCE WITH THAILAND'S CONSTITUTION.

STATUS OF NARCOTICS PROGRAM IN THAILAND

What is the status of our counternarcotics program in Thailand?

ANSWER

- O THAILAND HAS MADE DRAMATIC PROGRESS IN NEARLY ELIMINATING OPIUM PRODUCTION WITHIN ITS BORDERS, PARTLY THROUGH PROGRAMS WHICH RECEIVE SUBSTANTIAL USG FUNDING. THE TRANSIT OF HEROIN REFINED PRIMARILY IN BURMA REMAINS A MAJOR PROBLEM. OUR COUNTERNARCOTICS FUNDING IS PROGRAMED AT ABOUT FOUR MILLION ANNUALLY FOR BOTH FY-93 AND FY-94.

-- OUR COUNTERNARCOTICS ASSISTANCE PROGRAM IS AIMED AT COMPLETING THE ERADICATION OF OPIUM CULTIVATION AND ENHANCING THAI AND JOINT EFFORTS AT INTERDICTION OF HEROIN.

-- IT IS WORTH NOTING THAT THE THAI GOVERNMENT HAS SIGNIFICANTLY INCREASED ITS OWN FUNDING OF COUNTERNARCOTICS ACTIVITIES.

HFAC Questions - Vietnam

1) "Do you favor the early normalization of relations between the United States and Vietnam, at least the lifting of the trade embargo and establishment of some sort of diplomatic mission in Hanoi? If so, why? If not, why not?"

2) "What further cooperation on the POW/MIA issue should the United States seek from Hanoi -- if any -- before lifting the embargo and establishing a diplomatic presence?"

5) "Where do we currently stand on the "roadmap" to normalization of relations with Vietnam?"

-- THE ADMINISTRATION IS NOW CONDUCTING A COMPREHENSIVE REVIEW OF VIETNAMESE PROGRESS ON POW/MIA ACCOUNTING. ONE OF THE KEY ISSUES OUR REVIEW IS CONSIDERING IS THE ACCURACY OF A DOCUMENT WE RECENTLY OBTAINED FROM THE FORMER SOVIET ARCHIVES, WHICH PURPORTS THAT VIETNAM HELD MANY MORE AMERICAN POWS THAN IT RELEASED IN 1973. THIS WAS THE MOST IMPORTANT ISSUE ON GENERAL VESSEY'S AGENDA WHEN HE WAS IN HANOI LAST MONTH. VIETNAMESE OFFICIALS COOPERATED WITH HIS INVESTIGATION, AND THE GENERAL'S INITIAL ASSESSMENT IS THAT THE INFORMATION IN THE DOCUMENT APPEARS TO BE INACCURATE. THE ADMINISTRATION IS CONTINUING TO ANALYZE THE SOVIET DOCUMENT, THE MATERIAL WE RECEIVED FROM VIETNAM, AND THE INFORMATION WE HAVE FROM OUR POWS WHO RETURNED BEFORE WE COME TO A FINAL CONCLUSION ON THE SOVIET DOCUMENT.

-- WHEN COMPLETED, THIS REVIEW OF VIETNAMESE POW/MIA COOPERATION WILL FORM THE BASIS FOR OUR POLICIES TOWARD VIETNAM. OUR FUTURE STEPS WITH VIETNAM WILL BE DESIGNED TO ELICIT FURTHER COOPERATION WITH OUR POW/MIA ACCOUNTING EFFORTS.

3) "To what extent should improvement of U.S.-Vietnamese relations be governed by the human rights situation in Vietnam?"

-- OUR CONCERNS FOR HUMAN RIGHTS AND DEMOCRACY FOR THE PEOPLE OF VIETNAM WILL CONTINUE TO BE A CRITICAL ELEMENT IN OUR RELATIONS WITH THE SRV.

-- IN OUR TALKS WITH VIETNAMESE OFFICIALS, WE HAVE CONSISTENTLY ENCOURAGED VIETNAM TO RELEASE ALL PRISONERS OF CONSCIENCE. A VERY IMPORTANT HUMAN RIGHTS OBJECTIVE OF OUR POLICY WAS ACCOMPLISHED WITH THE RELEASE LATE LAST YEAR OF THE LAST OF THE KNOWN PRE-1975 RE-EDUCATION CAMP DETAINEES. WE WERE PLEASED BY THE RELEASE OF THESE PRISONERS. AT THE SAME TIME, WE HAVE EMPHASIZED TO THE VIETNAMESE THAT WE WILL CONTINUE TO RAISE OUR HUMAN RIGHTS CONCERNS AS THE NORMALIZATION PROCESS CONTINUES.

4) "If further implementation of the peace process in Cambodia is fundamentally impeded because of actions by the Phnom Penh regime and if the Khmer Rouge continues its current rampage of terror, how should U.S. policy toward Vietnam be affected?"

-- VIETNAM SIGNED THE PARIS AGREEMENTS AND WITHDREW ITS TROOPS AND ADVISORS FROM CAMBODIA, AS CONFIRMED BY UNTAC. THE VIETNAMESE HAVE ALSO USED THEIR INFLUENCE WITH THE PHNOM PENH REGIME TO ENCOURAGE COOPERATION WITH THE UN-SUPERVISED PEACE PROCESS. AS SECRETARY CHRISTOPHER HAS SAID, VIETNAM HAS BEEN FULFILLING ITS COMMITMENTS TO US IN THIS AREA.

-- IF VIETNAM CONTINUES TO FULLY SUPPORT THE ELECTIONS PROCESS AND THE ESTABLISHMENT OF A NEW, INDEPENDENT CAMBODIAN GOVERNMENT, WE DO NOT FORESEE THIS ISSUE BEING AN OBSTACLE TO IMPROVED U.S.-SRV RELATIONS.

6) "Can you assess General Vessey's visit? What conclusions did he reach, and how does your bureau react to them?"

-- THE VIETNAMESE WERE VERY COOPERATIVE WITH GENERAL VESSEY DURING HIS APRIL MISSION. IN ADDITION TO ASSISTING HIS INVESTIGATION OF THE SOVIET DOCUMENT I DISCUSSED EARLIER, VIETNAM AGREED TO ALL OF THE SPECIFIC POW/MIA PROPOSALS MADE BY GENERAL VESSEY.

-- IN JANUARY, WE COMPLETED AN AMBITIOUS TEN-MONTH SERIES OF JOINT INVESTIGATIONS INTO THE CASES OF 135 AMERICANS WHO WERE LAST KNOWN TO BE ALIVE, THE DISCREPANCY CASES. AS A RESULT, DoD WAS ABLE TO CONFIRM THE FATES OF 43 MISSING AMERICANS. DURING GENERAL VESSEY'S APRIL MISSION, VIETNAM AGREED TO ESTABLISH A SPECIAL JOINT TEAM TO ACCELERATE WORK ON THE REMAINING DISCREPANCY CASES.

-- VIETNAM ALSO AGREED TO INCREASE TRILATERAL COOPERATION WITH THE LAO GOVERNMENT AND THE U.S. ON INCIDENTS WHICH TOOK PLACE IN BORDER AREAS WHICH WERE UNDER CONTROL OF NORTH VIETNAMESE FORCES DURING THE WAR. FOLLOWING UP ON THEIR COMMITMENT TO GENERAL VESSEY, ON MAY 7-8 THE SRV HOSTED A TRILATERAL MEETING IN HANOI, WHERE PROPOSALS FOR ADDITIONAL COOPERATION WERE DISCUSSED.

-- DURING THE GENERAL'S MISSION, VIETNAM ALSO PROVIDED US WITH FORMAL ACCEPTANCE OF OUR WORKPLAN FOR JOINT FIELD INVESTIGATIONS FOR THE REMAINDER OF THE YEAR. THE SRV ALSO PROVIDED US WITH OTHER IMPORTANT POW/MIA-RELATED INFORMATION WHICH HAS SIGNIFICANTLY EXPANDED OUR KNOWLEDGE ABOUT AMERICAN POWS WHO DIED IN CAPTIVITY DURING THE WAR.

Q: Should normalization of relations with Vietnam be conditioned on progress toward democratization and improving human rights?

- A: o In our discussions with the Vietnamese, we have always raised human rights issues. Human rights issues have become an important element in our normalization policy.
- o A very important human rights objective of our policy was accomplished with the release late last year of the last of the known pre-1975 re-education camp detainees.
- o We have repeatedly emphasized to Vietnam that we will continue to raise human rights cases as the normalization process continues. Indeed, some individuals have been released following our interventions. Moreover, we have explained to Vietnam that our law mandates that certain human rights criteria be met in order for the U.S. to extend most favored nation status.
- o We remain deeply concerned by the human rights situation in Vietnam. We are pleased that the Vietnamese have released all pre-1975 reeducation prisoners. We will continue to press for the release of all prisoners of conscience. We will also seek to encourage a democratic political system and further moves toward a free market economy in Vietnam.

Q: Do you believe there are live American prisoners in Vietnam?

- A: o Determining whether live Americans are still being detained in Southeast Asia is the most important element of our overall POW/MIA program.
- o Defense Department experts working on this issue have carefully examined all the evidence presented to date, but have seen no conclusive proof of the existence of live prisoners.
- o The Senate Select Committee, in its final report, indicated that it had been unable to uncover any evidence indicating the existence today of American POWs being held against their will in Indochina.
- o More than 100 live sighting investigations have been conducted in Vietnam, many on short notice, some in prisons and military facilities. None of these investigations has provided information suggesting missing servicemen are today being detained in Vietnam. Nevertheless, we must and will continue to fully pursue all credible live-sighting reports.

Q: Do you believe the Vietnamese are acting in good faith on the POW/MIA issue? Is Vietnam doing all it can to help us?

- A: o Obviously, the Vietnamese Government has not cooperated fully in the past on this matter. However, we sense that Vietnam's leaders want to resolve this issue and move forward. Over the past year, Vietnamese cooperation has significantly improved. We now have the mechanisms we need in place and we are now getting important results. We recognize that this is a long-term effort, but we appear, at long last, to be making very significant progress.
- o With Vietnam's help, we completed at least one investigation of all the remaining 135 discrepancy cases in mid-January. Follow-up investigations will be required in some cases, but it is important to record that Vietnam kept to the schedule for these investigations to which they committed in March 1992.
- o We have received very good cooperation from Vietnam on the question of live prisoners. We have completed more than 100 live sighting investigations, many on short notice, some in prisons and military facilities. None of these investigations has provided information suggesting missing servicemen are today being detained in Vietnam. While new reports continue to come in, there are currently only a handful of such reports determined to require investigation in Vietnam at this time. In short, very important results have been achieved.
- o Since General Vessey's trip to Vietnam last October, we have put in place three joint archival research teams which have already examined more than 10,000 POW/MIA-related items. The Vietnamese Government has turned over to us a number of sets of remains which may correspond to POW/MIA cases. The Vietnamese Government has also agreed to assist in our efforts to conduct investigations in areas of Laos and Cambodia which were under Vietnamese control during the war. We hope to receive more information from Vietnam on cases in Laos and Cambodia as our trilateral efforts -- and our archival research efforts -- continue.

Q: How many U.S. citizens are imprisoned in Vietnam? What is the U.S. doing to obtain access to these prisoners?

- A: o We are currently aware of four American citizens imprisoned in Vietnam, and we are trying to confirm a report that a fifth American is being detained. The U.S. Government has repeatedly called on the Vietnamese Government to allow U.S. officials to visit these prisoners. The Vietnamese Government has so far not responded to these requests.
- o A very rough estimate is that more than two thousand Americans visit Vietnam each month. We expect this figure to increase. We currently have no means of assisting Americans in Vietnam. We need a better mechanism for providing consular assistance to our citizens pending normalization of relations, and we intend to raise this matter again with Vietnam.

Q: Where does the Administration stand on normalization with Vietnam?

- A: o During his confirmation hearings before this Committee, Secretary Christopher outlined our general approach to Vietnam.
- o As the Secretary stated, Vietnam is meeting its commitments on Cambodia.
- o The problem remains whether or not we have obtained full cooperation on the POW/MIA issue. As we are satisfied on POW/MIA cooperation, we will seek to move ahead, hopefully more rapidly. We recognize the important U.S. economic interests and commercial opportunities in Vietnam.
- o The normalization process is receiving a serious review by the Administration. In this review, we will be considering the extensive report prepared by Senator Kerry's Senate Select Committee. There is, however, no timetable for taking any specific steps with Vietnam.

Q: Do you plan to declassify the Roadmap?

- A: -- WE PRESENTED THE ROADMAP DURING A DISCUSSION WITH THE VIETNAMESE GOVERNMENT. IT IS STANDARD DIPLOMATIC PRACTICE TO CLASSIFY THE CONTENTS OF SUCH DISCUSSIONS IN ORDER TO ENSURE AN OPEN EXCHANGE OF IDEAS.
- WE DO NOT INTEND TO DECLASSIFY THE ROADMAP AT THIS TIME.

U.S. AID TO THE SOUTH PACIFICQuestion

What types of programs are supported by U.S. aid to the South Pacific?

Answer

-- WHILE MY COLLEAGUES IN A.I.D. WILL BE ABLE TO ADDRESS THE QUESTION IN GREATER DETAIL, I WOULD NOTE THAT U.S. ASSISTANCE TO THE SOUTH PACIFIC FOCUSES ON DEVELOPMENT OF MARINE RESOURCES, ENCOURAGEMENT OF COMMERCIALLY VIABLE BUSINESS AND AGRICULTURE VENTURES, PRESERVING THE ENVIRONMENT, HEALTH CARE, AND FAMILY PLANNING.

-- UNDER THE SOUTH PACIFIC FISHERIES TREATY, THE USG PROVIDES FUNDS WHICH ENABLE U.S. TUNA BOATS TO HAVE ACCESS TO STOCKS IN THE REGION. GIVEN THE MAGNITUDE OF THE U.S. INDUSTRY, OUR SMALL INVESTMENT UNDER THIS TREATY PAYS SIGNIFICANT DIVIDENDS WHILE ASSISTING RELATED DEVELOPMENT IN THE PACIFIC ISLAND STATES.

BOUGAINVILLEQuestion

What is the U.S. view on the fighting on Bougainville, where Papua New Guinea forces are attempting to put down a secessionist movement, and of the resulting problems between Solomon Islands and PNG?

Answer

- THE UNITED STATES SUPPORTS THE TERRITORIAL INTEGRITY OF PAPUA NEW GUINEA, OF WHICH BOUGAINVILLE IS A PART. AT THE SAME TIME, WE HAVE ENCOURAGED EFFORTS TO BRING ABOUT A PEACEFUL RESOLUTION TO THE DISPUTE ON THAT ISLAND.

- THE HUMAN RIGHTS SITUATION ON BOUGAINVILLE HAS APPARENTLY DETERIORATED AS A RESULT OF ABUSES AGAINST THE POPULATION BY SECESSIONIST FORCES AND THE PNG DEFENSE FORCES. WE WELCOME EFFORTS BY THE PNG GOVERNMENT TO BRING SUCH ACTIONS TO A HALT AND ITS ASSURANCES THAT IT WILL INVESTIGATE ALLEGED VIOLATIONS ONCE SECURITY CONDITIONS PERMIT.

- AS FOR THE PROBLEMS BETWEEN PNG AND SOLOMON ISLANDS RESULTING FROM THE BOUGAINVILLE CONFLICT, WE HAVE CALLED ON THE PNG GOVERNMENT TO PREVENT ANY FURTHER INCURSIONS BY ITS FORCES INTO SOLOMON ISLAND TERRITORY, INCURSIONS WHICH IN THE PAST HAVE RESULTED IN THE DEATHS OF SOLOMON ISLAND CITIZENS.

- IN THIS REGARD, WE ARE ENCOURAGED BY THE RESUMPTION OF DIALOGUE BETWEEN THE TWO GOVERNMENTS CONCERNING PROBLEMS ALONG THEIR BORDER.

PALAU

- Q. What is the status of Palau and the Compact of Free Association?
- A. THE U.S. WANTS TO MOVE TOWARD A RESOLUTION OF PALAU'S STATUS. WE BELIEVE THE COMPACT OF FREE ASSOCIATION OFFERS THE BEST ALTERNATIVE. IN AN APRIL 2 MEETING BETWEEN FORMER ASSISTANT SECRETARY CLARK AND PRESIDENT NAKAMURA, AND IN FOLLOWUP DISCUSSIONS, WE HAVE TRIED TO MEET CERTAIN PALAUAN CONCERNS RELATED TO THE COMPACT. WE EXPECT PRESIDENT NAKAMURA WILL SCHEDULE A PLEBISCITE ON THE COMPACT IN JULY AND LOOK FORWARD TO A SUCCESSFUL RESULT.

BACKGROUND:

- since February 1983, Palau held seven plebiscites to ratify the Compact of Free Association. All have garnered large majorities, ranging from 60 percent to 73 percent. None overcame the 75 percent majority required by the Palaean constitution.
- The Compact has been significantly modified on three occasions at Palau's request. Even with modifications, Palau failed to ratify it.
- In a November 1992 referendum, the Palauans approved a constitutional amendment that would reduce from 75 percent to a simple majority the requirement for Compact ratification. Legislation, however, makes a subsequent plebiscite on the Compact contingent upon a "favorable U.S. response" to proposed modifications.
- President Nakamura wants to schedule a plebiscite on the Compact for July 9. He does not favor reopening the Compact, but does want reduced military land use rights and certain assurances regarding extension of Federal programs. We think we have reached agreement with Nakamura on these concerns.
- We are prepared to consider independence without the Compact if this is what Palau wants.

Joint Commercial CommissionQuestion:

What are the Administration's next steps now that a Memorandum of Understanding was signed January 12 establishing the U.S.-Pacific Island Nation Joint Commercial Commission (JCC)?

Answer:

- WE ARE WORKING CLOSELY WITH THE DEPARTMENT OF COMMERCE, THE LEAD AGENCY ON THIS INITIATIVE, TO SET A DATE FOR THE INITIAL MEETING OF THIS IMPORTANT ORGANIZATION.
- WE WOULD HOPE TO HOLD THE FIRST MEETING OF THE JOINT COMMERCIAL COMMISSION SOMETIME THIS FALL. FOR THEIR PART, THE ISLANDERS ARE NOW DISCUSSING POSSIBLE TRADE AND ECONOMIC AGENDA ITEMS AMONG THEMSELVES. THEY INTEND TO COMPLETE THIS PROCESS AFTER CONSULTING WITH US AT THE ANNUAL SOUTH PACIFIC FORUM MEETING AUGUST 10-11.
- AS A CONSULTATIVE MECHANISM TO ENHANCE COMMERCIAL AND TRADE LINKS AMONG MEMBER NATIONS, THE JCC HAS THE POTENTIAL TO COMPLEMENT THE ECONOMIC POLICIES OF THE PACIFIC ISLAND GOVERNMENTS WHICH STRESS GROWTH OF THE PRIVATE SECTOR IN THEIR RESPECTIVE NATIONAL DEVELOPMENT PROGRAMS.

Background: The Joint Commercial Commission was proposed by President Bush at his October 27, 1990 meeting in Honolulu with island heads of government.

SOUTH PACIFIC SUMMIT

Question

President Bush held a summit meeting with the leaders of the South Pacific island countries in October 1990, which did much to counter the impression the U.S. ignores this important part of the world. Do you think President Clinton would be willing to hold a similar meeting?

Answer

- o WE INTEND TO WORK WITH THE ISLAND COUNTRIES IN A NUMBER OF AREAS OF IMPORTANCE TO OUR MUTUAL INTERESTS.
- o AMONG THESE ARE THE JOINT COMMERCIAL COMMISSION, WHICH WILL ENHANCE TRADE AND INVESTMENT AND PROVIDE A FORUM FOR PERIODIC DISCUSSIONS OF COMMERCIAL ISSUES.
- o IN ADDITION, WE WILL PARTICIPATE ACTIVELY IN THE WORK OF THE SOUTH PACIFIC FORUM, SOUTH PACIFIC REGIONAL ENVIRONMENTAL PROGRAM, AND SOUTH PACIFIC COMMISSION, WHERE WE AND THE ISLAND COUNTRIES DISCUSS VARIOUS TRADE, DEVELOPMENT, ENVIRONMENTAL, AND POLITICAL ISSUES.
- o DEPENDING ON THE COURSE OF THESE RELATIVELY EXTENSIVE EXCHANGES, I WOULD CERTAINLY CONSIDER RECOMMENDING THAT THE PRESIDENT PLAY A PERSONAL PART IN PROMOTING OUR RELATIONS WITH THE SOUTH PACIFIC IF I BELIEVED THIS WOULD BE USEFUL.

South Pacific CommitmentsQuestion

At his October 1990 summit meeting with Pacific Island leaders, President Bush announced a number of new aid programs, proposed the establishment of a Joint Commercial Commission, offered OPIC investment missions to the region, and announced a new USIA Presidential Fellowship program for senior island officials. Does the Clinton Administration intend to pursue these initiatives?

Answer

- o YES, WE DO PLAN TO BUILD ON THESE INITIATIVES AS PART OF OUR POLICIES TOWARD THE SOUTH PACIFIC.
- o MY AID COLLEAGUE, GEORGE LAUDATO, WILL BE ABLE TO GIVE THE PRECISE STATUS OF THE NEW AID PROGRAMS, BUT I UNDERSTAND THAT THEY ARE ALL NOW IN PLACE AND OPERATING TO THE SATISFACTION OF THE ISLANDERS.
- o AS FOR THE JOINT COMMERCIAL COMMISSION, WE ARE WORKING WITH THE DEPARTMENT OF COMMERCE, THE LEAD AGENCY FOR THIS UNDERTAKING, TO SET A DATE FOR THE INITIAL JCC MEETING, WHICH WE HOPE CAN BE HELD THIS FALL. (Note: See JCC Q&A for details.)
- o OPIC MISSIONS HAVE ALREADY BEEN TO THE FEDERATED STATES OF MICRONESIA, FIJI, AND PAPUA NEW GUINEA. I UNDERSTAND THE U.S. COMPANIES AND ISLAND BUSINESS INTERESTS WERE VERY SATISFIED WITH THE OUTCOME OF THESE MISSIONS.
- o I ALSO UNDERSTAND USIA IS SETTING ASIDE FURTHER INTERNATIONAL VISITOR PROGRAM INVITATIONS FOR SENIOR ISLAND LEADERS TO VISIT THE U.S. TWO HAVE ALREADY COME HERE UNDER THIS PROGRAM.

SPREPQuestion

Why is the Department dragging its heels on agreeing to sign the treaty that would establish the South Pacific Regional Environmental Program (SPREP) as an independent international organization?

Answer

- THE U.S. IS A STRONG SUPPORTER OF THE SOUTH PACIFIC REGIONAL ENVIRONMENTAL PROGRAM, AS EVIDENCED BY OUR SIGNIFICANT ANNUAL FINANCIAL CONTRIBUTIONS. WE ALSO SUPPORT THE ESTABLISHMENT OF SPREP AS AN INDEPENDENT REGIONAL ORGANIZATION.

 - ON THE OTHER HAND, THE ISLAND NATIONS' DESIRE TO ACCOMPLISH THIS ON THE BASIS OF A TREATY POSES CONSTITUTIONAL ISSUES FOR US THAT WE ARE ATTEMPTING TO RESOLVE.

 - WE ARE CURRENTLY DISCUSSING THESE ISSUES, WHICH INVOLVE THE ROLE OF NON-SOVEREIGN TERRITORIES IN A TREATY-BASED ORGANIZATION, WITH OTHER MEMBER NATIONS, AND HOPE WE WILL BE ABLE TO DEVISE ARRANGEMENTS IN THE NEAR FUTURE THAT WILL FACILITATE SPREP'S IMPORTANT WORK IN PROTECTING THE ENVIRONMENT.
- Background: Under the U.S. constitution, our territories can neither sign treaties nor vote in treaty-based organizations. The French, however, want their territories to be able to vote in SPREP.

POST CLOSINGSQuestion

Does the Department plan to close the three South Pacific posts in Apia, Western Samoa; Honiara, Solomon Islands; and Koror, Palau?

Answer

- AS YOU KNOW, UNDERSECRETARY FOR MANAGEMENT BRIAN ATWOOD IS CURRENTLY REVIEWING THE LIST OF POSTS PROPOSED FOR CLOSING BY THE LAST ADMINISTRATION.
- I UNDERSTAND IN THIS REGARD THAT CONSULTATIONS HAVE TAKEN PLACE WITH APPROPRIATE MEMBERS OF THE CONGRESS AND THAT THEIR VIEWS ARE BEING TAKEN INTO ACCOUNT AS THIS PROCESS PROCEEDS.
- WE ATTACH GREAT IMPORTANCE TO THE WORK OF OUR POSTS IN THE SOUTH PACIFIC AND TO OUR RELATIONS WITH THESE TWO COUNTRIES AND THE TERRITORY OF PALAU. NONETHELESS, IT IS CLEAR THAT UNDERSECRETARY ATWOOD MUST BALANCE MANY COMPETING FINANCIAL AND OTHER RESOURCE DEMANDS AS THE DEPARTMENT ADJUSTS TO THE NEW DEMANDS OF THE POST-COLD WAR ERA, AND THAT SOME POSTS WILL HAVE TO BE CLOSED.
- WHETHER APIA, HONIARA, OR KOROR WILL BE CLOSED REMAINS TO BE DETERMINED. BUT, AS I MENTIONED EARLIER, THE VIEWS OF THE CONGRESS WILL CERTAINLY BE TAKEN INTO ACCOUNT AS WE CONSIDER THIS DIFFICULT ISSUE.



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